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# ***JPRS Report***

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# **East Europe**

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# East Europe

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### Democratic Union of Bulgarians in Serbia

92BA1042A Sofia DEMOKRATIYA in Bulgarian  
30 May 92 p 6

[Article by Elena Urumova: "The Bulgarian Voice in Serbia Needs To Be Heard"]

[Text] Prof. Marin Mladenov for the Program of the Democratic Union of Bulgarians in Yugoslavia [DSBYu]

A carriage of people—this, according to the expression of the Bulgarians in the eastern border regions of Serbia (which we call the western outlying regions with the centers of Nish, Bosilegrad, and Tsaribrod), is how they count the members of the Bulgarian minority in our western neighbor. This is a matter of approximately 25,000 people, who call themselves a Bulgarian national minority. According to the sources of the DSBYu, their number amounts to 40,000, the difference being due to the fact that many of the younger people are afraid or have already forgotten their national roots for ideological or career motives.

"It is no secret to anyone that, in spite of a certain amount of relief during the past several years, the pressure of the local authorities in Nish, Bosilegrad, Tsaribrod, and the villages around them, the Bulgarian minority continues. This pressure most often is expressed as intimidation, while the methods vary from the verbal warning not to participate in the DSBYu to firing, arson, manipulations, provocations, and forced measures for resettlement into remote areas," a Bulgarian from the eastern Serbian border districts reported. According to him, the psychosis among the Bulgarians today is supported not so much by the Serbian authorities as by their faithful "janissaries" in the person of those Bulgarians who, having forgotten their kind and language, are called and defined as "Yugoslavs." A single organization, the DSBYu, counters the general efforts of the Serbs and the Serbianized Bulgarians for eradication of the Bulgarian ethnic element in these border regions, which were added to the Kingdom of Serbs, Croats, and Slovenies in 1920 by the force of the Treaty of Neuilly.

The DSBYu is a voluntary and independent cultural and political organization of the Bulgarian minority in Serbia. The local organization is the basic structure, and the Primary Council is the highest body of the organization. The vice president of the DSBYu, Marin Mladenov, is professor of the Bulgarian language and literature of the Philology Department of Belgrade University. According to him, the processes of obliterating the minority and of silencing the Bulgarian culture and language are natural consequences of the assimilation of the ethnic element by the Serbian majority, of the closing of the schools, and of the impossibility of studying the Bulgarian language. However, to no lesser degree is it due to the disinclination of the Communist regime in Bulgaria, demonstrated for years on end, to be concerned about the interests and needs of the Bulgarians in former Yugoslavia.

"Today, the result of the assimilation and of the disinterest of the Bulgarian authorities toward the Bulgarians from the eastern Serbian border regions (the western outlying regions) is the tragedy of the people, a majority of whom are ashamed of their kind and language. Quite different is the position of the numerous Hungarian minority, for whom the problem of studying the Hungarian language was never neglected, neither by the Hungarian element in Yugoslavia nor by Budapest itself. They adhere to the principle of "one student-one school." For the Bulgarians, it is just the opposite. Even if 10 are to be students, there will be no school. The causes are many, but the basic ones are the economic and political weakness of the Bulgarians in Serbia," notes the professor. According to Mr. Mladenov, the position will become worse now that the new draft law for the schools in Serbia provides for the closing of the "unprofitable schools" and the opening of private ones in their place. These are beyond the means of the Bulgarian minority, whose standard of living is far below that of the ethnic Hungarians. In the program of the DSBYu, it is written that the organization will plead before the local authorities for a reduction in the number of hours for the other subjects at the expense of the minority language, and will fight for the adoption of a law requiring all establishments in the western outlying regions to bear bilingual signs. The same law would have to settle the demands for communications and correspondence, and for the right of Bulgarians to have their own radio station, television, newspapers, and magazines. Professor Mladenov considers that it would be necessary to restore the Nataliya Karavelova fund at the Serbian Academy of Sciences, from which stipends are dispersed for university education. In this regard, the DSBYu sets great store by the recent creation of the Bulgarian-Serbian Society for Friendship, with the Serbian artist Milich from Machva as president. The goal of the society is to collaborate for familiarization with Bulgarian culture in Serbia. And, while there is no cultural center in Belgrade, this society would be able not only to bring Bulgarians and Serbs together, but also to preserve the Bulgarian nationality and culture. Up to now, it represents the only lobby, after the DSBYu, for Bulgarian interests in Serbia. In addition to fighting for understanding, the society has as a basic goal the dissipation of the hatred built up over the centuries and wars, and the conviction among the Serbs that "the Bulgarians are enemies, traitors, and nonentities." In fact, perhaps this needs to have priority in the work of the society today because it is precisely by relying on ethnic and religious hatred that "the chieftains and the rebels" from the Serbian detachments are unleashing the war in Croatia and Bosnia-Herzegovina.

To overcome the economic backwardness of the eastern Serbian regions, the DSBYu proposes the following measures in its program:

—To submit to the Skupshtina (parliament) plans for the modernization of the social-consumer base and the industrial establishments, and for participation in the privatization plans, and so forth.

—That Tsaribrodsko and Vosilegradsko be declared zones of collaboration, with the special status of duty-free zones, which will allow Bulgaria and Serbia to develop collaboration in the economy, tourism, transportation, communications, and mining, and create joint enterprises much more actively and extensively.

According to Professor Mladenov, although poor now, these obshtini have the economic potential to become flourishing, with the collaboration of the two countries. For this purpose, it is necessary to open more border checkpoints in order to facilitate the traffic and access of people from the two sides of the border, who will pass freely for the purpose of tourism, study, trade, and economic activity.

The Bulgarian cities are a stone's throw away, and the children of the Bulgarians in Serbia would be able to study peacefully in Bulgaria if border conditions were made easier and more roads opened. Moreover, in many of the schools in Serbia, because of the backwardness of the region, there are not enough teachers. For example, there are no specialists in music. Stipends are not granted for Bulgarian youths. There are difficulties with the textbooks and dictionaries. And here Bulgaria could help significantly, if it decides to grant stipends for students in Bulgarian philology. The exchange of teachers between the schools and the universities also could be useful. Only in this way could the Bulgarians in the border regions truly be able to be a bridge between the two neighboring countries. In the case of disinclination of the Serbian side to grant the requests of the minority and to settle the problems on a bilateral basis (recently Minister Stoyan Ganev expressed readiness for this on the occasion of his visit to Belgrade), Bulgaria

and the Bulgarian minority have at their disposal a number of possibilities for presenting their case in the international organizations for human rights. The acceptance of Bulgaria as a full member of the Council of Europe makes these possibilities quite real.

When we speak about the Bulgarians in the outlying districts, usually we forget about the Banat Bulgarians, who, although much more well-to-do and educated, are also an object of assimilation. In their case, the problem is addressed to the Hungarian minority in the region, where these Bulgarians live in the villages of Ivanovo, BeloBlato, Kovin, and Yasha Tomich, which are not far from Belgrade, in Vojvodina. These Bulgarians, who are connected with the history of Bulgarian Catholicism and the Chiprovsko uprising and are Catholics by religion, are being Hungarianized as a result of the propinquity with the ethnic Hungarians and of the necessity of surviving under the pressure of the Serbian assimilation. This is a matter of 3,000 people whose archaic Bulgarian language has been preserved up to today. Their problems are identical with those of the Bulgarians from the outlying districts: They do not have schools, and they do not study their mother tongue, culture, mores, and customs. The Serbs treat them as Hungarians and Catholics, and, consequently, as potential enemies of the government.

Bulgaria today does not have the right to turn its back on the Bulgarians behind the border. The duty of our country is to respect and be concerned for all those Bulgarians who for historical reasons live beyond its borders. Let those who today with force of arms are tearing up territories and dividing families in Bosnia-Herzegovina and Croatia remember that Bulgaria has international and legal guarantees and mechanisms for defending its children—today and tomorrow.

## Ministers Discuss Economic, Personnel Policies

**Rumen Bikov**

92BA1050A Sofia 168 CHASA in Bulgarian 2 Jun 92  
p 5

[Interview with Rumen Bikov, minister of industry, by Aglaya Shamlieva; place and date not given: "Here It Was as Stoyan Mikhaylovski Says—Some Crawling, Others Flying"]

[Text] *So considers the new minister of industry, Rumen Bikov. Now he needs terrestrial people who are realists who have walked firmly on the ground. The private companies will not be parasites, they will work in normal equivalent conditions.*

[Shamlieva] Surely, did you not think carefully about your first steps?

[Bikov] The very first thing I will do, it is hard to believe, but I will change the carpet on the stairs. They are worn out from people crawling along them. Other carpets will not be installed. I want to hear the heavy steps of people who know what they want and how to do it. Professional people who have one goal—to get Bulgaria out of the crisis more quickly. Here it was as Stoyan Mikhaylovski says—some crawling, others flying. However, I would not want you to understand my words in the wrong way. I am a pragmatist and far from the idea of annihilating everything and creating it anew. On the contrary, everything valuable as experience, information, and real positive actions will be saved.

[Shamlieva] Do you still look like a guest in this Cabinet?

[Bikov] We met with Mr. Pushkarov, I received the baton, conversation was very civil. Everything was very proper, in spite of certain rumors.

[Shamlieva] Instead of being congratulated, the new ministers were accused of intending to sacrifice the politicians and union leaders.

[Bikov] The situation in the government is actually very complex, but I as a technocrat say that complicated situations demand special efforts. The Ministry of Industry and Trade was so swollen, it included so many functions, that administration was simply impossible. This ministerial giant proved to be impossible to work and administer. Do not take my words as an evaluation of Mr. Pushkarov. I am giving my logic of the situation. Pragmatism and efficiency will be the decisive factors in my work.

[Shamlieva] Why do you not specifically and precisely define the priorities of the new ministry?

[Bikov] The basic strategic goal will be an increase in production, the creation of clear, concrete programs for the development of the individual branches of industry, determining the government participation in the individual branches. And, what is more important, how the state participation will be controlled. I am not arranging

them according to importance, but, of course, privatization and the procedures connected with it. As the minister, I consider that a priority in the work of the ministry is the creation of the private industrialist. To create normal conditions, it is necessary to find ways for developing private industry in our country.

[Shamlieva] The way in all countries is one and the same, only the fathers of our "reform" did not understand it.

[Bikov] The state must create a good nourishing environment for development of the private producer: in relation to technological assistance, engineering service, infrastructure, and so forth. The private producer has to be stimulated every way. However, do not misunderstand me. The private companies will not be parasites; they will operate in normal, equal conditions.

For me as a government official, it is particularly important that we create a principle, a system of developing specialists who will control the state participation in the future society of stockholders. Now in the country there is a thick layer of people in leading positions, some of them probably also good specialists, but they are not defending the state interests in the state property for which they are responsible, so that, in the case of the personnel changes that are before us, I will be guided by the principle of loyalty to the state. Loyalty to the state and results in economic activity.

[Shamlieva] Many connect your name with the Podkrepa lobby, and they continue that it is not your personal qualities but this closeness that opened the Pushkarov Cabinet to you?

[Bikov] I have many friends in Podkrepa, and, if this circle is considered as a lobby, it means it is one. I even heard that I am a compromise between Podkrepa and the SDS [Union of Democratic Forces]. I do not have anything against their calling me a lobby for Podkrepa.

[Shamlieva] Are you an ambitious man? Does the fame of the man who began the privatization appeal to you?

[Bikov] I do not know if I am ambitious; rather, I am very hard working. The fame of privatization, no, but I do want to connect my name with the consolidation of Bulgarian industry, to stop the drop in production, to move upward. Without growth of production, privatization is a big zero.

[Shamlieva] You have entered the Cabinet, but, in other no-less-luxurious ones, perhaps they are beginning consultations for a new government?

[Bikov] Yes, some people are predicting that the Cabinet will barely last until fall. We may go earlier, maybe later. It all depends on how we work, and not what we say.

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Minister Bikov refused to respond to me on specific questions concerning financial and tax policy, how he will revive production, and how the state will give a chance for the private producer. The arguments—the people have had enough of big talk: "When I am ready,



I will answer, and I will bear responsibility for my words. I want this to become the style of the ministry. Not slogans, phrases, and promises, and no one to bear responsibility."

**Aleksandur Pramatarski**

92BA1050B Sofia 168 CHASA in Bulgarian 2 Jun 92  
p 5

[Interview with Minister Aleksandur Pramatarski by Tanya Chervenкова; place and date not given: "We Will Let the Private Businessman Handle Trade"]

[Text] *With excessive optimism, Minister Aleksandur Pramatarski hopes to introduce some order in the confused market and promises that ministerial operations will be completely transparent.*

[Chervenкова] After a long pause, we again have a ministry of trade. Are you clear how it will begin working after its painful "diversion" from Pushkarov's super-Cabinet?

[Pramatarski] At the moment, the problems that are hanging are primarily legal and organizational. There is a decision for closing the Ministry of Industry and Trade, and we are in the process of its separation, which poses many technical difficulties—for example, there is still no building for the ministry, and I am temporarily in the office of one of the former deputy ministers of MIT [Ministry of Industry and Trade]. Although, in the former large ministry, there was a "Trade" administration, it was very much in the background. Certain things are carried out by specialists in the area of internal trade, and they will continue what was begun. Otherwise, I intend to put together a team of professionals because we will have the competition. It is known that, for a long time, the doors of this ministry were closed for the people outside, without connections and protection. This is particularly true of the area of foreign trade. However, for everything we do, there will be complete publicity before society.

[Chervenкова] What will be the place of foreign trade in the portfolio entrusted to you?

[Pramatarski] This is a question of the new structure, which will be approved by decree of the Council of Ministers. My proposal will be for two basic directions—domestic and foreign trade. Especially in foreign trade there are many important tasks, and, in the first place, the negotiations for the association of Bulgaria to the European Community. This assumes a strong team of trained people. The other big task of foreign trade is for us to restore the destroyed markets for Bulgarian goods and to open new positions for export.

[Chervenкова] You have in mind the former Soviet Union, with whose heirs we almost do not trade.

[Pramatarski] Yes, precisely so. We are putting a lot of effort in this direction, and my first visit abroad will be in the beginning of June to Moscow and Sverdlovsk. I will meet with the Russian minister of foreign economic relations because we have concluded a trade agreement

with the Russian Federation, on which, however, practically nothing has been done. It is for approximately \$1 billion. Up to now, only 85 million have been realized from their side. But our balance is active, and they owe us approximately \$260 million. However, the frozen payments are only one problem the Commission on Foreign Debt has to solve. The bad thing is that we closed the doors of the Russian markets either because of the chaos there or because of the insufficient activity of our trade representatives. My task will be to open them, which is possible. Also, we will sign an agreement for trade and economic collaboration with Sverdlovsk Oblast, which will ensure work for our companies and theirs.

[Chervenкова] Because you said companies, do you have only state companies in mind? How do you view the private merchant?

[Pramatarski] I make no distinction between state and private companies and keep emphasizing our positive attitude toward private business. In the new structure of the ministry, we will create a special unit for assisting the individual enterprises. In general, the more rapidly the state frees itself from functions not proper to it and leaves private initiative to develop at will, the better it is for everyone. Today's liveliness along the sidewalks and markets proves the power of the private businessman.

[Chervenкова] Let us specify which, in your opinion, should be the government areas of administration through your ministry, and whether they will remain state stores, although empty.

[Pramatarski] The ministry must be primarily a regulator and a controller of the processes in domestic and foreign trade, as has been mentioned already, in order to help export our goods. Warehouses stuffed with unfinished products stand for years, and the workers do not receive pay. The conflict with Bulgartabak is only one example. A large part of the burden of the association with the European Community will fall on us—tariffs, quotas, and so forth. Also, we will have to be concerned with the survival of certain state companies that are now operating on autopilot. Sixty of our companies are already converted. This task lies before the others now. Everything else has to change to private hands. However, for this to happen, rapid privatization is necessary.

[Chervenкова] Now we have come to the most important question: When, how, and what will be sold first?

[Pramatarski] The most serious and pressing job for us is small privatization. This also is an important condition of the International Bank for Reconstruction and Development, in order for them to release funds. At the meeting with John Wilton, it became clear that the preparation completed up to now is accepted, but the privatization itself has to be started as soon as possible. It really began with the restitution, which created private owners, primarily in trade. However, I see true privatization no later than August, when the first stores, service establishments, and workshops will be auctioned off. Everything that is ready with appraisals, documents,

property above ground, and so forth will go on the market, without waiting for all business establishments to be prepared. A team of jurists and economists who will participate in the privatization is being created.

[Chervenkova] Was it easy for them to talk you into giving up your seat as a deputy (reelected) and to save the government at this time? With whom from the Cabinet will you be happy to work?

[Pramatarski] I never dreamed of becoming a minister. I accepted the job as a great responsibility for helping the Cabinet at this complicated time. I consider that everyone in the Cabinet must share the same views, and I will work very closely with Rumen Bikov and Deputy Minister Ilko Eskenazi. I want it to be known that I am a moderate realist. I do not promise miracles, and no one should expect them in our situation. For myself, I will take it to be a serious success if we start small privatization this summer.

[Chervenkova] Will you allow us to be reduced to coupon trade again?

[Pramatarski] No. In the conditions of private property, the industrious Bulgarian will never remain hungry and wait for someone to provide his food for him.

#### **Minister Denies Hasty, Secret Reforms in Army**

*AU0508094492 Sofia BULGARSKA ARMIYA  
in Bulgarian 30 Jul 92 pp 1, 3*

[Interview with Aleksandur Staliyski, minister of defense, by Georgi Antonov; place and date not given: "General Staff's Competence Must Not Be Violated"]

[Text] The interview with Nikolay Slatinski, chairman of the National Assembly National Security Commission, evoked many important issues, and, thus, the Editorial Board approached its publisher, personified by Defense Minister Aleksandur Staliyski, and asked him for his reaction.

[Antonov] Mr. Minister, are changes at the Ministry of Defense and the General Staff taking place too quickly and being kept secret from society?

[Staliyski] For some 41 days, the Council of Ministers did not discuss the reform in the Army. The reform, with a certain correction, was adopted only under the new minister of defense. It is not true that this took place in an urgent manner and within the course of a few hours. Let me remind you that the previous defense minister was basically accused of conducting the reforms too rapidly.... As a member of the National Assembly National Security Commission, I always wanted to ensure that the commission's opinion is heard. Ludzhev introduced the issue of Army reform to parliament long ago. Consequently, no one did anything secret behind the back of the National Assembly.

[Antonov] Is the concern about the military's again assuming full power in the Ministry of Defense justified?

[Staliyski] No, but I would like to point out that the minister of defense does not intend to create a state

within a state. There is a General Staff in every normal state, and it deals with the Army. I do not think the competence of the General Staff should be violated. This is why some people think the Army deals with politics, while the situation is precisely the opposite.

[Antonov] Structural changes really are taking place at the Ministry of Defense behind the back of society!

[Staliyski] I do not understand what this claim is based on. The changes were effected by Ludzhev. I adopted them with just a few changes, related to counterintelligence, the military police, and the new Ministry of Defense. The return of certain functions from the Ministry of Defense to the General Staff is a necessary correction of the reform because, earlier, too much power was concentrated in the hands of the minister of defense. This is not a retreat and does not represent any ambitions on the part of the military to seize more power, or any fear of the defense minister vis-a-vis the military. One simply follows the logic of normal relations between the civilians and the military. This is the opinion of both the prime minister and the president. This does not mean that they told me what to do.

[Antonov] Do you agree with the opinion that the military in our country is striving to obtain the right to make decisions and assume real power?

[Staliyski] In a depoliticized Army such as ours today, the military could not have any political levers in its hands.

[Antonov] Do you approve all elements of the military reform until now, except the corrections you mentioned?

[Staliyski] Because of ethical considerations rather than consideration related to military secrecy, I would like to refrain from discussing those elements of the Army reform that are connected with the human factor and that, to put it mildly, confuse me.

[Antonov] Has the Supreme military Council approved the recent structural changes?

[Staliyski] The changes had to be approved by the Supreme Military Council. However, there was no voting. The minister of defense decides alone, and the president, as the supreme commander, has the last word. This is the law, and it is obligatory for all. I am the last person who tends to retreat and change his character or behavior. The course of my life after 9 September 1944 proves this. In any event, because there are certain objections on the part of the Union of Democratic Forces [SDS] parliamentary faction concerning the structure, I will propose that the SDS representatives at the National Security Commission discuss it.

[Antonov] In other words, there is no contradiction between the Ministry of Defense and the National Assembly National Security Commission?

[Staliyski] The ministry and the commission are working productively, and I am sure that, in the future, we will

continue to cooperate with Mr. Slatinski. There will be complete openness in the activity of the Ministry of Defense, which I head.

### **Official Alleges Concentration of Power in Army**

*AU0508094892 Sofia BULGARSKA ARMIYA  
in Bulgarian 30 Jul 92 pp 1, 3*

[Interview with Nikolay Slatinski, chairman of the National Assembly National Security Commission, by Valeri Vasev; place and date not given: "Military Coup Is Impossible, but Reform Could Stop"]

[Text] Nikolay Slatinski, chairman of the National Assembly National Security Commission, visited BULGARSKA ARMIYA many times and himself sought contact with the newspaper. This interview is the natural continuation of the one conducted last week after his return from Brussels and Washington.

[Vasev] Mr. Slatinski, how do you assess the situation in our country against the background of what you recently saw in the Western democracies?

[Slatinski] I shall refer to what happens in the Ministry of Defense and the General Staff. Obviously, there is a discrepancy between the present situation and the achievements of the reform in the Army in the past. The fact that the recent changes were effected in an urgent manner, literally within the course of a few hours, without any consultations with the parliament and the National Security Commission, evokes concern. Those changes concentrated political power in the hands of the military, something that could set back the reform at the Ministry of Defense. The retreat is obvious against the background of what I saw and learned in Europe and the United States.

[Vasev] What precisely do you mean?

[Slatinski] I could specifically point out what changes I mean, but I am not sure whether they are not a state or a military secret. The important fact is that, at the Ministry of Defense, people act rapidly, within hours, as if someone were chasing them. I think this slows down the reform. One could only be greatly alarmed under the present conditions of democracy if it were to turn out that someone thought it possible to return to the time of [former defense minister] Dobri Dzhurov, when the military had all the power in the Ministry of Defense, and there was no difference between the ministry and the General Staff.

[Vasev] What prompted those accusations? Do you have some specific facts to point out?

[Slatinski] The structural changes at the Ministry of Defense are being effected secretly, and society is not aware of them. Openness, transparency, and predictability of actions and intentions are basic characteristics of a military department. Society must know that, at present, parts of the Ministry of Defense's structure are returning to the General Staff, and more power is being concentrated in the hands of the military. For me, this is not merely a subject of discussion but a retreat from the

policy that the Ministry of Defense has conducted until now. One should have warned society that the military has ambition for more power than it should have in a democratic society.

[Vasev] Are you afraid of a military coup?

[Slatinski] No. For me such claims are nothing but speculation. There are no conditions of a military coup in Bulgaria, although there is danger of setting back the reform. This specifically applies to the way of thinking that began to emerge in the military after 10 November 1989—namely, the recognition of the civilian principle in the leadership of the Ministry of Defense.

[Vasev] Why do you think the military wants more power than it should have?

[Slatinski] I exclude the possibility of a military coup in Bulgaria, as rumors claim. One could blame former Defense Minister Dimitur Ludzhev for the fact that reforms in the Army and their rapid pace were not fully connected with and accompanied by comprehensive economic reform in the country and provision of the material-technical base of the changes in the Army. Thus, a gap developed. The Bulgarian economy did not allow for a rapid pace of restructuring the Army, redeploying it, and, generally, reorganizing it in a more determined manner.

[Vasev] It appears that your concern with our domestic problems affected your impressions of the visit to Europe and the United States.

[Slatinski] No, but my concern never left me while I traveled abroad. What some of our military here claim is considered absurd abroad. Hardly anyone abroad will sympathize with their claim to again seize the right to decide and the right to total power. We know that, even though our Army had all the power, it did not interfere in political life. The people have great confidence in the Army. However, my concern stems from the fear that some parts of the military might want revenge: Until now, you have carried out the reform, but now we will set it back because you civilians have become too powerful....

### **Goals, Method of Banking Consolidation Analyzed**

*92BA1032A Sofia BULGARSKI BIZNES in Bulgarian  
11 May 92 pp 1, 4*

[Unattributed article: "Bank Consolidation—Goals or Means"]

[Text] "The banking system is in the same unenviable condition in which the current economy is, which also is forcing the measures for strengthening and consolidating the banks." With these words, Mr. Penyo Khadzhiev, a member of the Administrative Council of the Bank Consolidation Company [BKK], began the joint broadcast of the "Good Day" program of Bulgarian Radio and the BULGARSKI BIZNES newspaper devoted to the plan for the consolidation of the banks and the problems in this area. Also taking part in the broadcast were the



director of the Bulgarian National Bank (BNB), Prof. Todor Vulchev; the president of the Construction Bank, Mr. Khristomir Yordanov; the president of the Sofia Commercial Bank, Ms. Katya Ivanova; the executive director of the Elektronika Commercial Bank, Mr. Zhivko Stoimenov; the director of the BSI Mineral Bank, Mr. Denko Damyanov; the president of the Central department store, Ms. Boyadzhieva; and the general director of the Khimko company, Mr. Kiril Petkov.

"Is consolidation a goal or a means of accomplishing the bank reform?" the moderator, Radosvet Radev, asked at the beginning of the discussion. "The goal is the restoration of the health of the banking system, the evaluation of the assets and liabilities of the banks and preparing them for privatization, and the means for accomplishing it is the concentration of the state participation and the BKK," the president of the BKK declared.

The bank holding company was created at the expense of the participation of the BNB, the Bulgarian Foreign Trade Bank, and the state enterprises in the commercial banks (through the exchange of their shares in the banks with shares of the BKK) for a period of three years. According to Prof. Todor Vulchev, nothing stands in the way of shortening this period, and Mr. Khadzhiev believes that nothing stands in the way of prolonging it. "Similar institutions in Spain and Portugal, created after World War II for a definite period, still exist," interjected Radosvet Radev, the moderator of the broadcast.

Chandar Kunchev, the president of the BVB, the three assistant directors of the BNB—Mileti Mladenov, Emil Zhursev, and Gancho Kolev—and the Ministers of Finance, of Industry and Trade, of Transportation, of Construction, and of Justice, all of whom vote with 20 percent of the votes of the state enterprises, which have contributed their stocks to the holding company, participate in the General Meeting of the BKK. It became known at the time of the broadcast that the bank holding company has succeeded in acquiring shares of private stockholders of Mineralbank.

The BKK will have to correct the mistakes of creating a large number of commercial banks initially on an industrial branch basis, then, according to a regional plan, on the basis of the former branches of the BNB. It is not possible to have regional banks, and it is not possible for them to work only in one industry because, in this case, the risks increase very unjustifiably, was the categorical opinion of Professor Vulchev. An unambiguous answer to the question of whether the BKK accepts the idea of the existence of branch banks will be given very early, said Mr. Khadzhiev, but the branch principle deviates from our future intentions for consolidation. Throughout the world, specialized banks are so-called popular banks, which serve the population and offer services to the citizens. If we take for comparison countries such as Poland and Hungary, in which banks are registered with minimum capital—\$15 million and \$25 million, respectively—it would mean that the share capital of the Bulgarian banks has to be approximately 350 million leva. Or, if we bear in mind that the sum of

the stock capital of the state banks and those of the private ones that are functioning is approximately 5.5 billion leva, it is normal in Bulgaria to have no more than 12 or 13 banks, said Mr. Khadzhiev.

The idea of bank consolidation is to set up several stable and reliable banks. We have planned a strategy that will be discussed at the first general meeting of the BKK on 28 May, reported Mr. Khadzhiev. Our intentions for the future consolidation are based on several fundamental principles that consider the volume of capital, the branch network, the correspondent relationships, and the international connections. It is very important that the portfolios of the new banks be clean, and, therefore, the consolidation cannot begin without a reevaluation of their assets and liabilities. An evaluation of this kind is being carried out at the moment by the English consulting company DFC. For the time being, it is not clear which techniques will be applied in the consolidation.

The idea of a voluntary merger of the banks is supported by the principle of the bank holding company, provided the specified regulations are observed. The first plan for a voluntary merger of eight banks (Doveriye, Iskur, Ruse Commercial Bank, Sliven Commercial Bank, Pazardzhik Commercial Bank, Dupnits Commercial Bank, and others) on the whole received a good evaluation from the representative of the banking triumvirate, although, according to it, the idea still is rough. The plan also is not in keeping with one of the basic principles of banking consolidation—it lacks a bank with a full license. The banks will have to present more information before the holding company prepares its final position.

One of the goals of the bank consolidation is to complete an evaluation of the assets and the liabilities of the banks, and only after that will their privatization begin. In this sense, the decision of the old leadership of the BNB, by which it was decided to sell the shares of the Central Bank in its former branches at a nominal rate, was evaluated as incorrect by Professor Vulchev. In this way, the participation of the BNB in several banks in which state participation has dropped below 50 percent—the Kremikovtsi Commercial Bank (now the First Eastern International Bank), the Dobrich Commercial Bank, and the Petrich Commercial Bank, in which over 70 percent of the capital belongs to private individuals—was sold off dirt cheap without preliminary evaluation of the assets and liabilities of the banks. It is asserted that the situation is similar with respect to the bank in Madan. Some of the banks at the time had natural reserves that exceeded their share capital by many times. The argument that a large part of the assets of the banks are only on paper because they have significant uncollectable receipts not only does not justify the sale at face value, but also strengthens the necessity of finding the current price of the shares, according to Professor Vulchev. In February 1991, the implementation of the decision in question is stopped, and, subsequently, the sale of bank shares is forbidden even for the state enterprises—shareholders in the banks. The BNB is

proud that it does not permit secret privatization in the banking system, declared Professor Vulchev.

Because of monetary problems, a fair number of establishments want to dispose of their shares in the BKK in order to obtain ready money for covering their current needs. This problem is not solved, according to Professor Vulchev, but there need not be an obstacle to it, inasmuch as secret privatization is not being carried out. The conflict is in the moratorium on the dismantling of state property imposed by the VNS [Grand National Assembly], thinks Mr. Khadzhiev. In the case of the possible dropping of this prohibition, the holding company would manifest interest in increasing its participation in the banks inasmuch as it bought back for its account shares the state companies wish to sell. We are not interested in selling our shares in the BKK, declared the general director of Khimko-Vratsa, Mr. Kiril Petkov. On the contrary, we are interested in increasing our participation in the holding company.

The bankers warned that, if the state institutions do not implement the Decision of the Council of Ministers of 31 March to give up their shares in the BKK and to sell them to private investors, the sanction will be a double confiscation—that is, the shares will be sold, and the sum that is paid for them will be confiscated.

It became known that still not all state enterprises have exchanged their shares in the banks for shares of the BKK. The representative of one of the shareholders, the TsUM, Ms. Boyadzhieva, expressed a readiness to do it. In her opinion, the problem is, first of all, in the level of the bank services. We expect better service after the consolidation, and that interests us more than the dividend, which we receive as shareholders in two banks, Ms. Boyadzhieva declared.

Every shareholder of the BKK retains his right to a dividend and a liquidation quota, Mr. Khadzhiev explained. The dividend for 1991 (in the cases where it is not capitalized) will be paid out in the amount that is voted by the General Meeting of the shareholders of the corresponding bank. For the three or more years of its existence, the BKK also will distribute dividends. This will be after the taxes due are deducted from the profit of the holding company, and monies for the corresponding funds are divided, as with all stock companies. How much and what funds the BKK will form still has not been solved. In cases where the increase in the capital of a given bank is at the expense of unpaid dividends, its stockholders will acquire more shares in the BKK. In the case of the future privatization of the banks that will be accomplished through the BKK, its shareholders will receive part of the revenues from the clearances under the form of a liquidation quota. When we sell at a higher price, the sum the stockholders will receive will be greater than the nominal value of the deposited shares, Mr. Khadzhiev said.

The bank holding company is not a superbank and cannot be involved with selling the obligations of the state companies to the banks, and, by charter, also

cannot acquire property in nonbanking establishments. The creditor has a right to renegotiate for a change in debt against property, Mr. Khadzhiev said in answer to a question that was posed; we are an owner of the capital of the banks, but we are not a creditor.

The most acute problem for the banking system—bad credits—also was put forward. According to Professor Vulchev, a guarantee must be given for all credits granted up to 1990. This also is the demand of the international financial institutions. In this case, we are correcting errors of the past, but, after 1990, the responsibility for the unreliably offered credits is borne wholly by the management of the banks, the director of the BNB said.

The momentum from the division of the banks into investment banks and banks that are concerned with short-term credits is having its effect, and, as a result, the banks now are not equally placed in their competition between each other, the director in the BSI Mineralbank, Mr. Denko Damyanov, considers.

A large number of problems that are natural in the banking business as a result of the incessant reforming activity, and problems in the real economy, such as the debts of the state establishments, await resolution. Will the banking system succeed in playing the role of a capitalizer of the changes in the economy, and will it cooperate for more rapid adaptation to the market conditions? On one thing the bankers were unanimous: Consolidation of the banks is logical and necessary. We all have interest in having the banking system stable, so that we see nothing bad about a good bank being merged with a bad one, declared Katya Ivanova, the president of one of the good banks, Commercial Bank Sofia.

#### [Box, p 4]

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#### [Box, p 4]

The future consolidation is based on several fundamental principles that consider the volume of capital, the branch network, the correspondent relationships, and the international connections. It is very important that the portfolios of the new banks be clean, and, therefore, the consolidation cannot begin without a reevaluation of their assets and liabilities.

#### Draft Law on Copyright Protection Analyzed

92BA1037A Sofia DELOVI SVYAT in Bulgarian  
15 May 92 pp 1, 3

[Commentary by Mara Georgieva: "Draft Law on Copyright and Related Rights"]

[Text] The current Copyright Law was passed in 1951 and amended and supplemented in 1956, 1972, and 1990. Experts are not the only people who believe that, in its present form, this law has become totally obsolete and unsuitable under the new circumstances. It does not take into consideration the development of videos, satellite television, cable transmission, and computer programs and their influence on the ways in which works are used, the specialists say. The present law does not offer any legal protection whatsoever for computer programs and the categories of so-called related rights, those of actors, performers, producers of sound recordings and videos, and of radio and television organizations. It contains stipulations that grant the state authorities the unjustified right to make use of works without their authors' permission. The Council of Ministers, which introduced the draft law, considers that it will provide all of the necessary safeguards for the prevention of intellectual piracy.

According to the draft law, the copyright to a work of literature or an artistic or scientific creation is acquired by the author the moment the work is created.

All of these are considered subjects of copyright: any work of literature, art, or science that is the result of creative activities and that is expressed in an objective manner as a work of literature or science; works for the stage (plays, musicals, pantomime, choreography, and so forth); motion pictures and other audiovisual works; graphic art and architectural works; works of photography and works created by similar means; projections, maps, designs, plans, and so forth related to the sciences of architecture, geography, printing and other sciences; and graphic works, including printing, library products, and other similar arts.

Other special categories of copyright subjects include the following: translations and new editions of existing works and works of folklore; arrangements of musical works and works of folklore; encyclopedias, periodical publications, and similar works; collections, anthologies, databases, and so forth, the selection and arrangement of materials and works of which are the result of creative activities; technical documentation and instructions required for the utilization of a computer program, as well as any subsequent version of that program or a program derived from it.

The draft law provides for a detailed enumeration of cases in which works may be used without the permission of their authors and without payment. Here are some of them:

- The use of quotations from the works of others, naming the source and the author's name, if available;
- The use of parts of published works in other works in amounts sufficient for analysis, commentary, or critique;
- The use in periodicals or on the radio or television of speeches, reports accounts, sermons, and so forth, or

parts of same, as well as pleadings in court trials, unless the author has expressly forbidden the use of these works;

- The use in the mass information media of articles or other materials dealing with topical issues, when the sources and the authors' names are cited, of works already published, broadcast, or transmitted by cable or any other technical facility;
- The reproduction of still or motion picture camera works related to a current event for use by information media in minimal amounts for information purposes;
- The use of works that have been accepted as official symbols, with the permission of their authors.

A copyright is protected for the life of the author and for 50 years after his death, the draft law stipulates. A copyright to a work used anonymously or under a pseudonym is protected for a period of 50 years after its initial publication, provided that, within that time, the author remains unknown.

A work may be used only with the permission of the author, unless the law stipulates otherwise. An author who has granted a user the exclusive right to his work may not use the work himself in the ways, time, or territory stipulated in the contract, or grant that right to other individuals. If an author has granted a user exclusive rights to a work, the user may use it in accordance with the stipulated conditions together with the author and other individuals to whom this right has been granted.

If a contract between an author and a user is either infeasible or involves significant difficulties, an author may grant to a collective management organization the right to allow the use of his work in one or several ways and collect for the author any remuneration, the draft law stipulates in a separate text.

The copyright to a work created on the basis of a labor relationship belongs to its author. The employer has exclusive rights, without the author's permission and free of charge, unless otherwise stipulated in the labor contract, to make use of the thus-created work, to publish or duplicate it, or to disseminate it by other means. The employer may exercise this right in a way and to an extent consistent with his usual activities, for a period of five years after the work has been delivered ready for use. The five-year period does not apply to computer programs, according to the draft law.

By signing a publishing contract, an author grants a publisher the right to reproduce and distribute the work; the publisher assumes the obligation to engage in such activities and remunerate the author. Unless otherwise stipulated in the publication contract, it is considered that the publisher has been granted the right to a single edition and the right to publish the work in an edition of no fewer than 3,000 and no more than 10,000 copies. The author must be paid a royalty of one-quarter of the retail price of each volume of the work that has been sold. The number of copies the publisher must supply the

author free of charge may not be fewer than five per edition. The publisher has the right to publish the work in the original language in which it was written and distribute this edition exclusively within the territory of the country, according to the draft law.

In the case of contracts for the reproduction and dissemination of sound recordings, and unless otherwise stipulated, the draft law makes it incumbent upon the user to make the recording within one year from the day the author delivers the work ready for recording; the work must be reproduced and distributed within one year after it has been recorded. The user is granted the right to reproduce the work in no fewer than 3,000 copies. The user must produce the cover and the materials accompanying the recording in the language of the country. The author must be given free of charge five copies of each produced version of the recording. The right granted by an author for his work to be recorded, duplicated, and distributed as a sound recording does not include the right for the work to be performed publicly, for it to be broadcast via wireless facilities, or for it to be transmitted by cable or any other technical facility. Such rights must be the subject of a separate agreement.

A public performance contract means that the author of a work for the stage grants a user the right to stage the work. The user is then obligated to stage it and to pay a royalty to the author. The royalty is set at 10 percent of the gross income earned by each presentation of the work, as stipulated in the draft law. Twice annually, the

user must submit accounts to the author on the number of public presentations and the revenue earned from them.

With a contract for publication in a periodical, an author grants the right to have a work published, and the publisher assumes the obligation to publish the work and remunerate the author. Without the publisher's agreement, the author does not have the right to offer the same work or parts of it for publication in other periodicals or as a separate work, or to broadcast it before publication. Such restrictions are voided, unless otherwise stipulated, after a period of 15 days in the case of newspapers and 30 days in the case of magazines, as of the date a manuscript is submitted and a publisher fails to publish it. Publishers of periodicals must return the originals of graphic art works, original documents, and illustrations, as well as other originals submitted for publication, unless otherwise stipulated in writing, as stated in a special text in the draft law.

What are the authorship rights in the making and the use of motion pictures and other types of audiovisual works? How are graphic art and architectural and photographic works used? How are computer programs used? What are the rights of performing actors and of producers of sound and video recordings and radio and television organizations according to the draft law submitted by the Council of Ministers? Answers to all such questions will be provided in the next issue of DELOVI SVYAT.

### Opposition Issues 1992 Timisoara Proclamation

92BA1225C Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 9 Jul 92 p 1

[Article by Arpad Gazda: "Temesvar Call, 1992"]

[Text] More than 20,000 people assembled on 7 July on Temesvar's Opera Square to take part in the demonstration in which the organizer—the Timisoara Association—promised a reading of the Kolozsvár Call, announced as a follow-up on the Temesvar Proclamation. The text of the call had been approved at the association's general meeting a few days earlier and, thus, it was familiar to many. Its first part is an analysis of the situation, with the final conclusion that "it would be an unprecedented irresponsibility to leave Romania a victim of corruption, disunion, and economic collapse at a moment when the thunder of arms is increasingly menacing all around." In view of the approaching elections, the call recommends that families, parents, and children be advised on which way to vote correctly. Points 2 and 3 repeat, in essence, point 8 of the proclamation, only in different words and in a somewhat more moralizing form. Point 4 is a warning of the danger of Russian imperialism, using the example of those living on the other side of the Prut River. Point 5 declares war on chauvinism and irredentism. It has a special passage addressed to Romanian extremists who, according to the call, "are false protectors of Romanian interests, having caused only harm to the Romanian cause." And it states for "those who have irredentist dreams" that "Romania is neither a federation nor a confederation, but is a unified and indivisible state."

Point 6 warns about the mass exodus of youth, while point 7, the last one, is addressed to those who will be at the country's helm in the fall: "For 47 years, lying was state policy in Romania. This lying insulted, humiliated, and pushed everyone into a state of desperation and anger. Enough! These people will tolerate no more lies."

The demonstrators approved the text of the call by raising their hands. No one abstained and no one voted against it. In order to increase its effect, it will also be read on the 10th at a general meeting in Bucharest.

Still, it was the guests from Bucharest who brought real success to the general meeting in Temesvar. They elicited the same old cheerful and optimistic songs from the masses as during the demonstrations one or two years earlier—which are, unfortunately, still timely. Petre Mihai Bacanu said that in Romania, of all the liberties, it is the freedom of the press that has reached the highest level and now, for the fourth time, they have tried to push the press bill through the disreputable parliament to limit this freedom. Probably for the first time in Romania, people spontaneously began chanting during his speech the name of Emil Constantinescu, the opposition's presidential candidate. Constantin Ticu Dumitrescu called the present legislative body a Parliament of National Shame and said that reconciliation is only possible if we do not collaborate with the murderers and if we will heed point 8 of the call at the next

elections. Ana Blandiana was of the opinion that, after a detour of two years, the revolution that began in Temesvar is coming to a consummation. According to Corneliu Coposu, Romania is living through historic times again after merely passing through events for 45 years of no history. Dumitru Iuga called television, his workplace, a sewer of communist cadres, and then read a few encouraging passages with a moral meaning from the collective labor contract that was signed a few days ago, which included an applied variation of point 8 of the Temesvar Proclamation. The organization differed now from the earlier Temesvar demonstrations only in that patriotic marches, e.g., "Ardealul, Ardealul, Ardealul ne cheama," came from loudspeakers before it began. People, just like earlier, clapped, shouted, chanted, whistled and, after letting off steam, went home.

### 'Black Lexicon': Horn's Military, Political Past

92CH0791A Budapest BESZELO in Hungarian  
18 Jun 92 p 5

[Article by Ferenc Kubinyi: "Black Lexicon; Gyula Horn"]

[Text] Gyula Horn: technician, economist, official of the Finance Ministry, administrator, Foreign Ministry attache, chief of the MSZMP [Hungarian Socialist Workers Party] Foreign Affairs Department, ambassadorial counselor, state secretary of foreign affairs, minister of foreign affairs, MSZP [Hungarian Socialist Party] chairman.

Gyula Horn's career is that of a typical party secretary. He began as an apprentice, then received a Soviet scholarship after earning a special high school diploma. After returning home, he became chief administrator at the Ministry of Finance. On 28 October, he was called in to serve at the District III Army recruiting center as a reserve officer, was given a weapon, a National Guard ID, and was assigned to patrol duty.

On 12 December, after crushing the revolution, Lajos Czinege, the administrative chief at that time, summoned him, his colleagues, and the other Soviet scholarship holders to the MSZMP headquarters. Those present were assigned to temporary armed service.

On the Kerepes Avenue base, Gyula Horn became a member of the "Janos Hunyadi" armed battalion of the Budapest Police Headquarters, i.e., a pufajkas, which gives reference to a quilted jacket, suggesting subservience to Soviet military interests.

AVH [State Security Authority] Colonel Miklos Orban was his commander. He also served in party secretary-turned pufajkas Colonel Dezso Vaczi's unit in the Sopron area. The task of the unit, a mobile commando with Wippon jeeps equipped with machine guns, was to shoot down people fleeing toward Austria. Gyula Horn was discharged in May 1957. In the spring of 1959, he was transferred to the Ministry of Foreign Affairs as an attache. First, he worked at the Soviet department and then, from 1961, he was a member of the economic policy group at the Sofia embassy. In 1963, he became



counselor at the Belgrade embassy. Between 6 June 1983 and 28 March 1985, succeeding Janos Berecz and Matyas Szuros, he was chief of the MSZMP Foreign Affairs Department. He was elected member of the MSZMP Central Committee on 28 March 1985.

As it turned out (what he consistently denied earlier), in holding these two offices, he knew about the illegal foreign currency smuggling activity in which certain MSZMP leaders smuggled 404 million forints' worth of dollars to Moscow through the years.

He visited the United States for the first time in January 1980; there he met with 50 well-known U.S. economists, bankers, and political scientists in the home of New York chief rabbi Arthur Schneier, a leading personality of the foreign affairs council.

At home, he established excellent relations with the press. He considered Janos Hajdu the most talented one among the foreign affairs journalists. It was Horn who achieved for Hajdu the post of ambassador in Bern.

With the knowledge of these events, we must cast serious doubt on Horn's statement that "as a result of the efforts of the reform movement, which existed in the ranks of the party in power throughout, the process of restructuring began from within." It is well known that, because

of the economic collapse, the process of restructuring began in Moscow. The MSZMP leadership elite did not voluntarily or cheerfully agree to the restructuring.

On 10 May 1989, he was appointed Minister of Foreign Affairs and, on 24 June, a member of the MSZMP Executive Committee. He still argues with former Prime Minister Miklos Nemeth about who opened the border for the fleeing GDR citizens in September 1989.

What remained of his career in the governing communist elite was connected to organizing the MSZP, the new party, in which financial issues played a large part. Horn says in his memoirs that it was in March 1990 when he met Josef von Ferenczy, the famous German press manager. The brave businessman is a close acquaintance of Janos Berecz.

Ferenczy was appreciated by the party. He is the proud recipient of the Red Star Medal and an honorary citizen of the city of Kecskemet.

Two more news items about Gyula Horn. One is that, as a reward for his excellent public activity, this former communist was recently honored by the German National Masonic Lodge. The other is that he is putting every effort into the campaign of the Kisber special elections.

## **Social-Democratic Movements Form Union of Labor**

92EP0536A Warsaw RZECZPOSPOLITA in Polish  
19 Jun 92 p 3

[Article by Eliza Olczyk: "Social Democracy in Polish: With Fears and Complexes"]

[Text] They united in order to have time to prepare for future parliamentary elections. As the majority of people with leftist convictions, they desire to represent the interests of the wage-labor workers. They think that Poland needs a new group with a social-democratic viewpoint, free from prejudices, able to build a market economy, and a state friendly to the average man.

The Unity of Labor [UP] is not yet a political party, but a movement organizing the people of the Labor Party [SP], the Democratic-Social Movement, the Wielkopolski Social-Democratic Union, and the Polish Socialist Party. Its creators do not want to form a mass organization of tens of thousands of members. In any case, in Ryszard Bugaj's opinion, the leader of the UP, the time for such parties has passed. At present, it is much more important for political groups to find enough supporters in society. That guarantees electoral success, and is the goal of the members of the social-democratic party being formed.

### **An Unsurprising Controversy**

It is not unusual that the formation of the UP passed unnoticed by many politicians, as many of the leaders do not promote catchy slogans that are difficult to implement; the leaders also keep a distance from political events, and they make careful, common-sense comments (a rare phenomenon on the Polish political scene). What disturbed the creators of the new party was not even noticed—there was a place in its ranks for those from the post-communist parties. The political activists of other parties did not appear disturbed by the fact that people from two camps—Solidarity and Communist—found themselves in one organization.

"I am inclined to consider the various fusions in terms of their vision of the future order of Poland," said Donald Tusk, the leader of the Liberal-Democratic Congress (KL-D). "Thus, knowing the people forming the UP and their views, the alliance does not particularly surprise me. I think that when political parties show a biological inclination to bud and divide, the fact that any joining occurred is a greater precedent than the question of who joined with whom."

"As the head of the Congress, I cannot imagine a situation in which my party would accept people from communist groups into its membership. However, that is the case not because of resentments, but because they have a completely different vision of what the Polish economy ought to be."

Antoni Bielewicz of the Center Accord (PC) has his own theory of the new political scene. "I always thought that after a few years, the division into 'we' and 'they,' into

Solidarity people and post-Communist people, would begin to blur. Earlier, however, it would be necessary to conduct a decommunization process. Only after purging politics and politicians will the conditions exist for uniting the old with the new. In such a situation, I would welcome a similar alliance with open arms as an initiative cementing society. In the present situation I think it is premature, though the diversity of the people forming the UP does not especially surprise me. After all, they have similar views on political and economic affairs...."

"I have no superstitions," says Jan Maria Rokita of the Democratic Union (UD). "I think that a broad front of people prepared to support reforms is the best thing that could happen to Poland, especially since in the present situation it is difficult to speak of a Solidarity camp. Some prejudices are so strong among us that the division has become irreversible. The final act of the collapse of the old Solidarity camp was the way in which the president was treated at the last Solidarity congress. In such a situation, it is difficult to consider the context as that of two opposed political camps. Today people should join according to their political views, and from that point of view, I regard the formation of the UP as perfectly normal."

Jozef Oleksy, of the Alliance of the Democratic Left [SLD], thinks that "letting" members of the former PZPR [Polish United Workers Party] into groups termed as "deriving from the heritage and ethos of" is so normal that it should have happened long ago.

He only expresses sadness that such a sharp selection was made, separating out certain individuals, who are not at all burdened with individual responsibility for the past, and with only a fraction of the institutional responsibility.

"People with leftist convictions do not always identify with the views supported by the Social Democracy of the Republic of Poland; thus, it is important that the left side of the political scene be multicolored, as broad and as strong as possible," says Oleksy. "As the Alliance of the Democratic Left [SLD], we greet the formation of the UP with satisfaction and sympathy because it includes credible, responsible people worthy of recognition."

Only Jan Lopuszanski of the Christian National Union [ZChN] called the UP a temporary phenomenon, caused by the disintegration reigning on the political scene. "People still have not realized that communism was so bad that its elements are no good for creating anything. In my opinion, similar organizations can be formed in the near future as a result of a breakdown in certain processes of awareness; however, after the political scene normalizes, they will disappear."

### **A Future Difficult To Foresee**

Does the new party appearing on the crowded political scene have a chance to gain voters and become a real force? Politicians are skeptics. Jozef Oleksy fears that the UP will run into a wall of social indifference, not because

the views it supports are not attractive enough, but because of a simple lack of interest in new groups.

"It is difficult today to say whether new political organizations have a chance to survive," says Donald Tusk. "There is room on the political scene for a serious organization—under one name or another—to present measured socialist views. Perhaps the UP will be that organization...."

"Does social democracy have a chance in Poland?," wonders Antoni Bielewicz. Probably not. Such initiatives smell strongly of the compromised socialism and will always be suspected of carrying the heritage of communism."

Jan Maria Rokita does not want to predict the future of other parties. If the UP wants to support the reforms, then I wish it well. If, however, it wants to call on people opposed to procapitalist reforms, it will become a harmful creature.

The creators of the UP themselves fear something completely different—a lack of time. The timing of the formation of the new group, in their opinion, was not the best. They think, however, that parliamentary elections, for which they want to be prepared, may come earlier.

The UP will not have, as originally thought, several years to form a structure and gain supporters. In any case, even if there was time, the promotion of the party would not be easy. The leaders of the UP say that social democracy is not in fashion today. Each person thinks that he, thanks to his own abilities, will find himself in the financial elite of the country. It takes time for people to be convinced that knowledge, skills, and energy do not always suffice to make a fortune and that, on the other hand, a social democratic party does not have to strive to return to the old order.

That judgement does not have to be completely true. We know the views of that portion of society that participated in the last elections to the Sejm and Senate. But little is known of the views of the more than 50 percent of the electorate that did not vote for anyone.

The supporters of the UP might be in that part of society. One only has to reach them. But can a party reach people who deal exclusively in politics when they did not even notice its formation?

### **Universal Privatization Program Presented**

92EP0504A Warsaw PRZEGLAD TYGODNIOWY  
in Polish No 24, 14 Jun 92 p 3

[Article by Dariusz Teresinski: "Three Times P"]

[Text] The Universal Privatization Program (3P, or PPP), worked out by Jan Szomburg and Janusz Lewandowski and prepared for implementation by the Ministry of Privatization, is aimed at restructuring industry through the enfranchisement of citizens.

In relation to the privatization of capital, that is to say, the sale of state industries on the market (in public

offerings or within the framework of auctions for strategic investors), 3P has one colossal advantage: It does not require fixing prices (which is costly, long-lasting, and ultimately not too credible), as the essence of the program consists in the transfer to individual persons of what previously belonged to them collectively. Therefore, since the owner does not change, it is not necessary to determine the value of the assets.

The transformation of ownership—instead of sales of the classical sort—is especially worthy of recommendation to society, which does not have at its disposal large cash reserves. If we wanted to sell the nation's assets for the zlotys and foreign currency to be found in pockets, dresser drawers, and bank accounts, there would be two results: a precipitous fall in prices (resulting from a sudden growth in supply) and the drainage of money from the market (income from privatization would come into the budget, and, as is well known, the more resources it has, the more it wastes). In effect, at the cost of a further significant reduction in supply (recession!), we would buy a gift for the budgetary sphere that is literally—unrepeatable.

Were we to let fictional money, in other words privatization bonds, into the economy, the country would turn into a gigantic Monopoly board. But the result of such an operation would be deplorable, because making economic decisions when there is no personal financial responsibility for their results must lead to catastrophe. The economic history of the PRL [Polish People's Republic] proves that.

The second indubitable virtue of 3P is that it spreads the risk associated with property in a market system. The spread is obtained by offering citizens shares in the profits of the entire program. If 400 average and above-average enterprises were to not yield a profit under professional management, it would mean that the economy had completely stopped functioning. In any other case, the program will work. That will manifest itself in a growth of the market value of "stock certificates."

The citizen will become a stockholder not in a specific factory, the production of which may all of a sudden "drop out" of the market, but will participate—as owner of a 3P stock certificate—in the profits of a dozen or more holding companies (National Investment Funds, or, NFI) managing many factories according to the principle of maximization of the financial outcome. As one of 27 million stockholders, he will not really have a direct influence on management decisions, but it is difficult to delude oneself that his decisions would really be better than those made by professional managers.

Management's rewards will be in proportion to the market value of the NFI stocks. Consequently, if the financial results are poor, the managers will earn less. Perhaps incentives of this sort will seem not strong enough to some, but that is too bad—so far no one has thought of more effective ones.

In order to become an investor in a specific fund, one need only exchange one's stock certificate for stocks at a brokerage. Shares of particular NFI will be burdened with a greater risk than certificates, but on the other hand they will be entitled to pay dividends. The stocks of those particular firms from the pool of 400 that may also be purchased on the market will be burdened by the greatest risk (considerable fluctuation and differentiation of quotations).

The advantages flowing from 3P should be divided into several categories.

All citizens will profit from the fact that hundreds of state enterprises (that is enterprises which belong to no one) are gaining professional management and an owner. This will cause a growth in the competitiveness of Polish industry, an increased influx of foreign capital, and will contribute to the stimulation of the economic situation.

Everyone will also become owners of trustworthy commercial paper. It can be supposed that stock certificates will turn out to be a more profitable investment than bank deposits while having a similar level of security and decidedly greater liquidity. That should cause an additional growth in the demand for them—and in their prices as well.

Skinflints will be released from the risky decision of what to do with their part of the national wealth. The stock certificate will let them wait for better times with somewhat less apprehension.

Free choice under conditions of limited access to information is a fiction. Investment of savings in the commercial paper market is the business of powerful insurance companies, trust funds, and investment banks around the world. And although they operate in stable, deep markets, it nevertheless happens that they commit very costly errors. The Polish farmer, office worker, or retired person in the role of an investor would be as helpless as a child in the fog.

When the passive 3P stockholder acknowledges that the current market price of his stocks is satisfactory to him (or when he feels a painful lack of cash), he will be able to choose to sell them or to trade them for the shares of one or more chosen NFI and play further. In either case, his offering will be worth more than if he simply had at his disposal one twenty-seven millionth of each of the 400 enterprises.

Investors—both those who are already seasoned in the battles of the market and those who are not—are getting new, effective instruments for investing financial resources. The differences in risk that particular values, valuations, qualities, and advantages will be burdened with should contribute to the separation of pure speculation from long-term investment policy, with obvious benefit to the market and the economy.

If trade volume and the market offering grow, engagement of serious institutional investors in the trade of

commercial paper will become real. Then the market will settle down and begin to generate accurate economic information.

The economy will be the main beneficiary of the 3P. The most important component of the program is an unusually attractive offer to management firms, which have entered the competition announced by the MPW [Ministry of Privatization] in great abundance. As a result of the keen competition, the management of NFI will be carried out at the highest world level, and, as a result, the funds will bring the stimulation into the economy that we have waited in vain to get from foreign investors.

Do not let bad associations with the associations and other demons of socialism deceive anyone. A holding company managed in the modern way is the exact opposite of a centralized, bureaucratic monopoly. First, it does not group companies territorially or in branches connected to it. Second, the NFI will aspire eventually to transform themselves into institutions that are structures of pure capital, interested not in the production process but solely in the level of profitability of the enterprises they control and their quotations on the stock market.

Before that happens, they will prepare corrective programs for the firms that they recognize as being worth keeping in their investment portfolio, but they will want to sell the shares of the rest. However, they will sell enterprises that are at least "recovering," because a sale at a loss would reflect poorly on the bonuses of the board members.

In the privatization models competing against 3P (the coupon-point model in Czechoslovakia and the bond model devised by the ZChN [Christian-National Union]), there exists no intermediate management link and therefore it is difficult to perceive the seeds of positive change in the activities of the privatized enterprises.

It is true that there has arisen among our southern neighbors a multitude of "investment societies" promising fabulous profits in exchange for entrusting them with coupons from the investment points, but for three reasons these offers are at least suspect. First, the legal status of the offerers is more or less the same as that of the Secure Savings Bank. (Some of them were not even registered until recently, and not one meets the criteria that regulate trust funds all over world.) Second, they are competing for the favor of citizens who are devoid of economic consciousness. And finally, third, when the "point hunters" gather sufficiently many, the furious battle for the better segments of the economy will begin. The price of good—that is, believed to be good—companies will go up sharply, and their purchase will consume a significant portion of the general pool of points (printing a million coupons—particularly not one's own—is always a lesser stress than printing a million dollars or even korunas). That will lay enormous obligations on the winners with regard to the crowd of stockholders who entrusted them with their coupons. The result for the entire economy will be such that a few

percent of the good companies will have to work out a dividend plan for the majority of citizens, and for the rest of the companies a lame dog will not care.

And yet the representatives of the "investment societies" are not specialists in business management: They just promise that they will purchase shares of the best companies on the market with the points that are turned over to them. And they will surely keep their word. But since the world does not end with privatization, it is worth asking: Who will manage a privatized company so much better than the state director so as to assure all the stockholders of the speedy, high (for example, 1,000 percent) returns that have been promised?

With all its undoubted virtues, the Universal Privatization Program has one fundamental flaw: So far it has not been incarnated in life.

It is June 1992. Three years ago, communism fell in Poland. Perhaps on the occasion of that anniversary something will finally happen with 3P.

### **Mass Privatization Credit Program Proposed**

*92EP0571A Warsaw ZYCIE GOSPODARCZE  
in Polish No 25, 21 Jun 92 p 7*

[Article by Roman Chojnowski and Mieczyslaw Groszek: "The Lightning Rod of Privatization"]

[Text] The president's mass privatization initiative may, given its political standing, become a factor surmounting the political barrier around privatization and reconciling, or at least assuaging the conflicting interests involved. In other words, the unconventional form of that initiative may create a "political lightning rod" for a government that promotes privatization, and its unconventional content may break down the inertia surrounding privatization.

### **A Step Forward**

The problems relating to privatization are in effect becoming a symbol of discontent with the results of market reform. True enough, on the one hand, this particular—though, to be sure, most important—instrument of market reform has been turned into a fetish, but on the other, things have come to a complete standstill.

We do not intend to rate privatization in terms of its mistakes and successes; what counts is the experience gained, both good and bad, that can serve to further promote the process. There exists a serious danger that a different approach, e.g., a mathematical one, may, given the specific economic, social, and political conditions of the first half of 1992, prompt us to return to square one.

Hence, the president's initiative should be considered as a great idea politically and in that alone we perceive its value. At the same time we are far from regarding as feasible the more specific solutions proposed. In precisely this context we are proposing what we will call mass privatization credit. Before the conditions for applying it are scrutinized, it should be stressed that the

project ought to be consonant with the other instruments used so far to promote privatization. By that we mean that it should complement or adjust the measures taken so far rather than serve to reject them totally. This precisely is the approach warranted by:

- The results so far.
- The rise of an institutional, personnel, legal, and procedural infra-structure.
- The requirements of at least minimum stability.

Mass privatization credit should be based on the principle followed for so-called Treasury credit, which is being at present utilized for privatization through liquidation "with the object of" or "pursuant to" Article 37 of the Law on the Privatization of State Enterprises, with the proviso that the scope of application of this instrument should be markedly expanded and its requirements alleviated.

### **It Cannot Be Play Money**

Mass privatization credit, granted with the object of accelerating ownership transformation, should not be unbacked, play money. It should be in the nature of cashless credit that cannot be monetarized. Investing that credit on the market should markedly promote privatization processes, and in particular it should make possible investing by courageous and enterprising individuals who would otherwise lack sufficient capital to launch their own businesses.

Mass privatization credit can be used to purchase:

- Large blocks of shares in privatized enterprises (except publicly issued shares).
- Small enterprises that are being auctioned off under the so-called small-scale privatization procedure.
- Bankrupt enterprises, both under Article 37 of the Law on the Privatization of State Enterprises and under Article 19 of the Law on State Enterprises (so-called unwanted property). That opens the door to managerial and employee privatization, that is, to the acquisition of enterprises or parts thereof by their managerial personnel or workforce in return for collateral-backed credit.
- Blocks of shares by the management of one-person Treasury companies covered by the mass privatization program (10- and 15-percent blocks purchased from the Treasury).

### **For Credit, Not for Free**

If it is to accomplish its purpose, mass privatization credit must be on a significant scale. Otherwise we would be dealing with a dissipation of resources, which will not bring about the desirable concentration of private capital in the enterprises being privatized. At the same time, if it is to be genuine credit and not some additional kind of privatization vouchers, it should meet certain minimal procedural requirements.



Such investment credit should be granted by the banks and the repayment of principal plus interest secured by requiring a collateral. Unbacked money, which will never be repaid, cannot be created. There should be instead mass credit, with a simplified banking procedure but a shared investment risk. That means that the credit borrower must also risk some of his own assets.

Mass privatization credit should be granted on the following terms:

- Those eligible would be individuals of full legal age, actual Polish citizens.
- The amount of credit granted hinges on the amount personally invested; the borrower must offer as collateral personal assets corresponding to 20 percent of the value of the investment or offer as collateral a mortgage to the same extent.
- The collateral for the credit will be 20 percent of the investor's own assets or solid safeguards or a surety, plus 80 percent of the assets of or shares in the enterprise being acquired (assets of several persons may be offered as surety).
- The credit is granted for 15 years, with an initial interest-free five year waiting period.
- During the first five years the credit carries no interest and may be repaid in lump sum in its original amount.
- Over the next six to 10 years the credit bears no interest but is indexed for inflation and may be repaid in quarterly, semiannual, or annual installments.
- Over 11-15 years the credit is indexed for inflation, carries a fixed interest rate of 10 percent, and is repaid in quarterly installments.
- Over 16-20 years vindication of the credit takes place.
- The credit may be repaid in lump sum at any time during the 15-year period, in the actual amount owed.

#### A Shared Risk

Employing a banking procedure, even a very simplified one, serves to preserve discipline in both granting and repaying credits. Since the average investment cycle should not exceed three to five years, a well-prepared and properly managed enterprise should, after a five year waiting period, yield income serving to repay the borrowed credit. Adopting the rule that nominal credit may be repaid within five years on condition of lump-sum repayment is an incentive for operating a business efficiently. Such credit should be available to investors who have specific restructuring programs or ideas for a rapid recouping of capital and who are ready to risk their own assets.

Particularly important is the issue of collateral (20 percent of the investor's own assets plus 80 percent of the assets acquired with credit). The need to put up 20 percent of one's own assets would serve as a brake on the overall amount of the credit borrowed and point up the

risk involved in the undertaking, but it would not be of an unduly restrictive nature.

We propose that in the initial (five-year) period the credit granted would not be charged interest, which would clearly distinguish it from normal bank loans. Indexing it for inflation, coupled with a 10-percent interest rate in the last five years of the 15-year period would cause the credit then to be practically similar to that granted on market terms. Applying such credit requirements would be an incentive for rapid repayment. At the same time, the bank granting the credit will be able to monitor its utilization.

The transition to new terms for each succeeding time interval should not be automatic but, e.g., in the form of signing a codicil to the concluded agreement. This means that the utilization of the credit is periodically verified and it can be revoked if there is no chance for its future repayment. This would at the same time protect the debtor against the growth of his debt at an increasingly rapid rate in a situation in which an objective appraisal indicates that there are no chances for its repayment in the future.

The bank suitable for handling this project is the Powszechna Kasa Oszczednosci Savings Bank in view of its great experience in consumer banking services and an extensive network of branches. Its experience in consumer loans may help to markedly simplify the formalities. To broaden the network of branches, the credit should also be granted by other banks in accordance with a set of precisely defined instructions. The coordination of this entire credit program should be handled by an investment bank (with seven to nine branches), to be responsible for drafting detailed procedures, credit instructions, and a system for clearing transactions with the banks and the state budget.

We propose using for that purpose one of the already existing banks and turning it into an investment bank whose purposes will include:

- Issuance of credit funds.
- Drafting of banking procedures with respect to mass privatization credit.
- Financing the credit drive.
- Clearing accounts with the state budget.
- Repossessing the assets bought with the aid of investment credit if that credit is defaulted upon.
- Establishing mutual funds (they could be insurance or special retirement funds but not those of the ZUS [Social Security Administration]) that would accumulate certificates of mass privatization credit and invest them in privatized state enterprises.

The credit-granting procedure should be, as we mentioned, maximally simplified, with the risk to be shared between the borrower and the treasury. The credit should be universal and granted automatically if the requirements are met.

The credit-granting bank would bear the expenses of the entire operation, which will be offset by the fee charged to the borrower, as in a normal loan agreement. The entire credit program should be backed by treasury securities deposited in the investment bank. As for the credit agreements concluded, they should be administered by the Investment Bank, which will be responsible for the credit repayment procedure and for organizing the execution of defaulted credits.

A proposal to introduce mass privatization credit is bound to raise the question of its effects on the state budget. Clearly, using credit to acquire enterprises owned by the treasury deprives the state budget of receipts in a given year and does not require a special clearing of accounts.

On the other hand, the repayment of the credit will strengthen the state budget several years later, though to a depreciated extent depending on the scale of the inflation. Still, if thanks to such credit an economic boom is stimulated, in effect budgetary receipts from taxes will increase.

### The Perils

In discussion of mass privatization credit one should be aware that the greatest peril it entails is the possibility of its penetration into the market and replacement of market money. Equally dangerous is granting that credit without an effective securing of the investor's collateral. For it may result in refunding the collateral.

Furthermore, the credit is so designed as to entail the depreciation of the investment money in the transactions concluded. Still another peril would be using mass privatization credit for the purposes of reprivatization. We believe that such investment credit should not become a form of settling accounts with original owners. That is because refundable credit cannot be compensation for expropriated property. It would be more proper to allot a specified number of privatization vouchers making it possible to participate in national investment funds as part of mass privatization.

In proposing the idea of mass privatization credit we are aware that it is no panacea for all the ailments of the Polish economy. Regardless of whether or not the idea is adopted, other measures also are needed to promote both privatization and a broadly conceived institutional reform.

At the same time, in proposing that new instrument, we do not intend to discredit any already existing instrument of privatization. All such instruments should be mutually complementary. Mass privatization credit should contribute to:

- Accelerating privatization by creating more readily available investment funds. That concerns both the preferential price of the credit and the form in which it is secured.
- Broadening the social base of privatization rather than creating the illusion that everyone can become a capitalist. The credit is so designed as to reward risk-taking and at the same time eliminate—by requiring a collateral instance of excessive risk.

The privatization to be promoted by the proposed credit will not drain liquid capital from the economy, considering the small resources of such capital and the greatly limited possibilities for procuring outside (foreign, bank) capital. Were the rule of maximizing current budgetary receipts to be applied to privatization, even on the currently followed principles, the scale of the operation will be small compared with the structure of budgetary receipts (according to the 1992 plan, about 2.5 percent). But that is an amount corresponding to the aggregate circulating capital of 500 medium enterprises. Thanks to mass privatization credit, a small proportion of current budgetary receipts would be relinquished in favor of much greater receipts in the future.

### Solutions To Lower Enterprise Tax Burden

92EP0531A Warsaw GAZETA PRZEMYSLOWA I  
HANDLOWA in Polish No 23, 7-14 Jun 92 pp 1-2

[Article by Dr. Jerzy Sokolowski: "How Can the Enterprise Tax Burden Be Reduced?"]

[Text] Enterprise tax burdens in Poland differ depending upon the organizational and ownership form of the given enterprise. For the most part, state enterprises pay income tax on corporate persons, a turnover tax, a dividend, a tax on above-the-plan growth of wages, property tax, and others. In Treasury single-person companies [spolka jedno-osobowa], which have arisen as a result of restructuring state enterprises, interest is paid on capital and a dividend is not paid. Meanwhile, private enterprises in the form of physical or corporate persons primarily pay income tax (either on physical or corporate persons) and property tax.

All in all, tax burdens are very high, particularly for state enterprises and single-person companies of the Treasury. They often exceed 90 percent of the financial accumulation of economic organizations. This high tax burden means that there are insufficient funds not only to finance development investments (a necessary condition for adapting our economy to the technological level of EC countries), but also to renovate worn out machinery. High tax burdens, especially those included in the costs burden (property tax, social security obligations) cause Polish products to be expensive, despite the relatively cheap workforce.

Thus, there is an urgent need to reduce enterprise tax burdens. However, it is a highly complex problem that is difficult to resolve, especially given the budget deficit. Essentially, there are two basic scenarios for taking action. The first is to restrict total tax liabilities by eliminating certain taxes or by changing their structure. That will produce conditions motivating an increase in production and an improvement in management efficiency. The second is tied in with changing the structure of tax burdens by distributing them differently among participants in the management process.

A reduction in tax burdens should affect those taxes constituting a restriction on improving management efficiency or that do not provide an incentive for doing so. The tax on above-the-plan growth, commonly known as the "popiwek," is such an obligation. It is a progressive tax structured according to a very slight scale which taxes enterprise profits. In many enterprises, employees want to work well, improve management efficiency and, thereby, attain higher wages. Unfortunately, to date the structure of the tax on above-the-plan growth has significantly limited incentives to increase enterprise economic results.

Until now the argument used to justify the existence of the tax has been fear that employees will be paid too much, thereby bringing about an increase in inflation. In reality, the tax on above-the-plan growth, with its strong disincentive for improving efficiency and increased supply, has actually sustained inflation. Finally, it is noteworthy that at present there is a tax on private income. It is also a progressive tax. Thus, persons who earn higher incomes as a result of higher wages must pay a higher tax. Thus, from this viewpoint as well, there is no justification for continuing the tax on above-the-plan growth.

Reducing the dividend and changing its structure also seem advisable. At present the dividend constitutes too great an obligation for enterprises. Moreover, modern enterprises which permit the attainment of a high level of management efficiency and make possible effective competition on foreign markets must pay a higher dividend.

A reduction in enterprise tax burdens should make it possible for them to renovate worn-out production assets and to make developmental investments. Over the long term, the increase in production and management efficiency should lead to an increase in enterprise income and, in turn, to an increase in budget revenues. However, a reduction in enterprise taxes must lead to a cutback in budgetary income from this source, at least over the short term. Where, then, can we find other sources of income (a necessity given the significant budget deficit and the lack of funds to finance education and environmental protection)?

There are several ways to increase budget income. One way is to use effective methods and ways to fight cheating on taxes and tax evasion. Budgetary losses caused by tax fraud are very high. Some sources estimate that such losses amount to several trillion zlotys [Z], while others give an estimate of over Z20 trillion. Some effective ways of battling tax evasion are: a stiff system of penalties for such crimes, an increase in treasury cadres, both quantitatively and qualitatively, mutual compliance and precision in legal documents on taxes, the elimination of dual taxation and the use of computer technology for detecting dishonest tax declarations.

The strengthening of the state monopoly in the area of high-percentage alcohol production and cigarette production may be an important source for increasing budgetary income.

State finances may also be improved through the implementation of the proper rate-of-exchange policy, which creates an incentive for export and limits import. This would make it easier for domestic enterprises to increase sales, thereby increasing earnings and, ultimately, bringing about a growth in budget income.

The several ways for increasing budgetary earnings which have been presented here demonstrate that real possibilities exist for reducing enterprise tax liabilities.

Changing the structure of tax liabilities is another way to reduce enterprise contributions into the budget. This primarily means altering the proportions of enterprise direct and indirect tax liabilities. True, those paying direct taxes (for example, income tax, dividends and the tax on above-the-plan growth) and indirect taxes (for example, the turnover tax and the value-added tax) are in both cases enterprises, but in reality consumers pay indirect taxes, since they are included in prices.

Decisions to change the liabilities structure must take into account the proper proportions between budgetary needs and incentives to stimulate economic activity and increase income. In considering these proportions, it is necessary to determine the consequences of such changes. And these consequences depend in large part upon the characteristics of the individual taxes.

A basic feature and, at the same time, an advantage of indirect taxes, is that generally they supply the budget quickly with abundant income from the sale of specific products. Another characteristic is their so-called tax desensitization. In other words, enterprises pay the taxes without particular resistance because they can be shifted to consumers. Consumers, on the other hand, are not aware of it, because the taxes are included in the cost of the goods.

Another characteristic of indirect taxes is their flexibility. As production and the sale of products increase, budgetary income generally grows in proportion to the increase in production and the sale of products. However, under conditions of economic recession and a decline in production, revenues from indirect taxes decline proportionately. On the other hand, in the case of direct taxes, the reduction in budgetary income is usually slower, since there are more possibilities for counteracting the cutback in enterprise income, for example, by lowering costs.

A basic shortcoming of direct taxes is the increase in the level of prices, even given a slight increase in these taxes. For example, in Japan the introduction of a value-added tax at a rate of 3 percent caused an increase in inflation from 0.7 percent to 2.3 percent, a significant increase under this country's conditions.

A feature of direct taxes, and especially income taxes, is the more equitable encumbrance of taxpayers in proportion to their ability to pay. This is related to the implementation of the principle of taxation justice. Another advantage of income taxes is that since they are based on income obtained by economic units, it becomes possible

to impact various spheres of economic activity. That may be effected by structuring a tax base or by offering rate reductions and tax exemptions. Generally, specific elements of costs and income which are included, but are not included in this base are the source of the preferences emanating from the structure of the tax base. On the other hand, the rate reductions affect taxable income at the stage of its distribution. However, the reductions may be applied directly to income, they may reduce an estimated tax amount or they may be applied to a tax rate. In the latter case, the reduction reduces the percentage rate of the tax.

The fact that the influx of funds into the budget is slower than in the case of the turnover tax is a shortcoming of the income tax. This emanates from the fact that frequently the income of a taxpayer is only fully determined after the conclusion of the tax year. To a certain degree, this negative phenomenon may be minimized by instituting advance payments into the tax account.

An analysis of the characteristics of direct and indirect taxes allows us to assess the possible consequences of changes in the structure of the taxes collected from enterprises which may be implemented to reduce tax liabilities.

An increase in indirect taxes combined with a reduction in direct taxes alters the proportions between physical and corporate persons with regard to their respective tax liabilities toward the budget. In this case, consumers become more burdened by taxes and enterprises become less burdened. However, a basic increase in indirect taxes (the turnover tax or the value-added tax) usually causes a price increase followed by reduced demand and a decline in the sale of goods and services. In the final analysis, enterprise earnings decline.

It is also noteworthy that an increase in indirect taxes increases the burden equally on less affluent social groups and large families, as well as those whose earnings are higher. There occurs then a pressure to increase social services, which may lead to an increase in enterprise burdens for social insurance.

The equal encumbrance of the various groups of society with indirect taxes may be counteracted by differentiating tax rates, especially for turnover taxes. However, a large number of rates depending upon the kind of commodity and services rendered means that market price trends become deformed to a certain degree. The turnover tax becomes not only an instrument for redistributing national income, but likewise a regulator of the purchasing power of society.

Under competitive conditions, i.e., conditions in which the complete shift to the consumer of the turnover tax is limited, the differentiated rates affect the amount of profit earned by enterprises, and thus may influence the directions of investment. As a rule, goals related to the directions of investments are taken into consideration in income tax plans. Thus, where there is extensive differentiation among rates for many items, it is difficult to

preserve harmony in the directions of the effect of the turnover tax and the income tax.

If we take into consideration the above circumstances, the following basic directions for reducing the tax burdens of enterprises should be: the above-the-plan growth tax (the "popiwek") should be eliminated, the dividend should be lowered and its structure should be changed. On the other hand, the possibilities for reducing enterprise tax liabilities by increasing turnover taxes and reducing income taxes are limited. Here we must take into account the negative consequences of increasing indirect taxes and we must maintain the proper proportions between income and turnover taxes.

The use of a specific form of indirect tax, the excise tax, affords a definite possibility for increasing budgetary income. Generally, excise taxes are characterized by significantly higher rates than turnover taxes. They are used for such goods as alcohol, cigarettes, gasoline, and the like. However, in order to ensure the full effectiveness of introducing such taxes, i.e., so that they bring a maximum amount into the budget, a state monopoly must be introduced in the area of alcohol or cigarettes.

Obviously, after many years of a manufacturer's market, our associations with a monopoly are generally negative. Nonetheless, given the sorry state of public finances and the economic recession, which affects all spheres of production and services activity, the state income obtained from such a monopoly may constitute a basis for reducing substantially enterprise tax burdens.

Rate reductions and tax exemptions for those economic organizations which meet specific conditions are possible ways to reduce enterprise taxes. And they are the only way to reduce a tax imposed, for example, when a specific kind of investment is undertaken or certain services are rendered. Rate reductions and tax exemptions, however, may also be important instruments of state industrial policy.

#### **Bank President on Inflation, Banking Models**

92EP0545A Warsaw *GAZETA BANKOWA* in Polish  
No 21, 24-30 May 92 p 3

[Interview with Dr. Hanna Gronkiewicz-Waltz, president of the National Bank of Poland, by Andrzej Krzysztof Wroblewski; place and date not given: "Neither Always Nor Never"]

[Text] [Wroblewski] How can you calm the hard currency market? Despite your declarations and those of the minister of finance, the flight from the zloty [Z] is continuing.

[Gronkiewicz-Waltz] Unfortunately, the power of words is limited. My predecessor a year ago also had given reassurances, but a week later the zloty was devalued. We engage in normal interventions: State banks offer dollars at an unchanged price, encouraging people to buy there.

[Wroblewski] People fear inflation, and their fear was strengthened by the Sejm's decision to raise the salaries of government employees. Inflation was also mentioned

by the minister of finance when explaining his resignation. You yourself said that it is up to the government to find the money as the NBP [National Bank of Poland] will not provide it. Did you intend to calm the public by saying that?

[Gronkiewicz-Waltz] I don't want to deceive anyone, but that could be my response, to calm people down. To be sure, the consequences of the Sejm's decision will spread over time but still that is Z30 trillion. In my opinion, this concerns primarily protecting the value of our national currency. I can thus merely repeat that the NBP shall not finance that additional deficit.

[Wroblewski] You recently said that to you the Bundesbank is the perfect model of a central bank. But were you to be its chairperson, would you be as inflexible in face of the recent strikes in Germany?

[Gronkiewicz-Waltz] It is easy to answer, "Yes, I would," after the fact. Still, had I been under the pressure of immobilized trains, mounds of unremoved garbage, closed airports, ... I would probably not submit. Besides, recently I spoke with the chairman of the Bundesbank, whose predecessor (Karl Otto Poehl) had agreed under pressure to a one-to-one exchange rate of the GDR mark for the western one, but at the same time resigned his post because he disagreed with such a solution.

[Wroblewski] Is not there a parallel in this country when Farmers' "Self-Defense" had occupied the Ministry of Agriculture until you had consented, under pressure, to an additional trillion zlotys in farm loans?

[Gronkiewicz-Waltz] Not at all. That trillion, or more exactly, Z920 billion in nonpreferential credits for farmers consists of the interest paid on the funds of the Ministry of Agriculture deposited in the Food Industry Bank. We have also raised slightly for that bank the ceiling on the increase in credit action.

[Wroblewski] So then!

[Gronkiewicz-Waltz] But we did not provide even one zloty in refinancing credit. And a higher ceiling rate also applies to the PKO BP [General Savings Bank-National Bank]. Most importantly, though, all these actions lie within the limits of the planned monetary policy and were taken independently of that occupation strike.

[Wroblewski] But money does not grow on trees. Is not, for example, charging interest on mandatory bank reserves self-delusion? After all, these reserves are a way of protecting bank capital, not an investment.

[Gronkiewicz-Waltz] I agree with you. One does not have to be a mathematician to understand that reserves on which interest is charged are tantamount to lower reserves.

[Wroblewski] Why the self-delusion?

[Gronkiewicz-Waltz] That was a typical electoral bribe offered to voters before the parliamentary elections. At that time I still had not been a bank president and, in my capacity as an independent expert, unaware at the time

of my future fate, I spoke out before a Sejm committee in defense of the central bank and against that measure. Unfortunately, I failed. The new Sejm passed that law, and the Senate upheld it.

[Wroblewski] You said that you worked well with Minister Olechowski. What happens if fate sends you a minister who favors inflation? Then you alone will shoulder the burden of defending our national currency.

[Gronkiewicz-Waltz] Even now I am trying to anticipate the situation and explore the legal safeguards. I am not afraid of some change in the assumptions of the monetary policy (though it would be better if it were absent), because legally it would be of a lower rank than the budget law. But last year's budget deficit was precisely created by passing a law with conflicts with the NBP Law. Thus in theory the deputies may vote in favor of a much greater deficit. What then? Although I do not always agree with Marek Dabrowski, he is right in this case: A provision protecting the value of the national currency should be incorporated in the Constitution.

[Wroblewski] You stated that the money supply this year will increase by 6.1 percent in terms of real value, but the decline in the GDP is continuing. Will not inflation be an inevitable result?

[Gronkiewicz-Waltz] No. Our assumption is that the GDP will neither decline nor grow, and the Ministry of Finance anticipates a 45-percent inflation for this year. We have much greater reserves. That 6.1 percent in real terms means nominally Z127 trillion, and only part of these funds is in the national currency.

[Wroblewski] The NBP lost its suit against the Bank for Economic Initiatives. That may be a little thing, but still it hurt your bank's prestige.

[Gronkiewicz-Waltz] The ruling is not final, because it was issued by a court of the first instance.

[Wroblewski] Now let me ask you a question that I had also asked of Minister Olechowski. As you know, banks need more funding, but on the contrary many influential people believe that their feathers should be plucked, because they got the money.

[Gronkiewicz-Waltz] You are asking what I can do about it? Not much. I am not going to be a prophet of gloom and doom about our banks. Even if I keep quiet, the reputation of our banks is not the best: During a recent session of the European Bank for Reconstruction and Development in Budapest I was asked not so much about the position of the zloty as about the creditworthiness of our banks. In this country itself likewise people ask me what about banking supervision rather than about monetary policy. The news has spread that we have many bad debts. This is more disturbing than the threat of inflation.

[Wroblewski] Any day now the Treasury will issue its bonds. Are not you apprehensive that they will compete with the banks?



[Gronkiewicz-Waltz] I am apprehensive that the ministry of finance has the power to do so as it has to do something about offsetting the deficit. We on our part will watch out so that the banks will not absorb too many bond coupons and bonds at the expense of their loan volume. Moreover, I believe that these Treasury bonds carry a disproportionately high interest rate. If we find that there is an excessive outflow of funds from bank deposits, we will be forced to take appropriate action.

[Wroblewski] The higher the interest paid by the Treasury bonds the more will the Treasury have to pay the bondholders next year. In other words, in fighting inflation we may sink into a still deeper inflation. What do you say to that?

[Gronkiewicz-Waltz] It would be easy for me to say that I will be intransigent, but that is no solution. I never say never just as I never say always. Of course, I believe that inflation is an evil, but it is an evil which must be combatted astutely, reduced gradually. Can the Polish Treasury obtain a loan on the international financial market? I fear that this may be difficult.

[Wroblewski] What then do you have in mind when you say that you favor an astute struggle against inflation?

[Gronkiewicz-Waltz] I will not let inflation grow, but I do not believe that it can be throttled within a single year. Besides, many of our present-day problems are inherited from the Liberal administration, when Z18 trillion in cash was run off the printing presses just like that.

[Wroblewski] In recommending you to head the bank the president expressed expectation that you will root out banking scams. Would you act as a criminal investigator, so to speak?

[Gronkiewicz-Waltz] That is semantics. I do not investigate criminals; I merely eliminate the climate that breeds crimes. This is a question of banking supervision, coordinated account planning, procedure for reckoning bad debts. To direct a bank one must be experienced in banking. We will not either appoint to the posts of bank directors persons who have caused problems for one bank and now want to direct another. Another new measure is the mandatory increase in a bank's founding capital to Z70 billion, and still another new measure has been the adoption of difficult but necessary decisions such as the closing of the Bank of Commerce and Credit in Katowice. As you can see, despite the semantic difference we are progressing in the direction expected by the president.

[Wroblewski] You are independent of the government. But are you also independent of the president? Do you not feel beholden to him by the very fact that he had so stubbornly promoted your nomination?

[Gronkiewicz-Waltz] Beholden to do what?

[Wroblewski] For example, to support proposals which you might not think warranted. What do you think for

example of the privatization plan under the slogan stock vouchers for "Z130 Million for Everyone?"

[Gronkiewicz-Waltz] We have transmitted our assessment of that plan to the president and the minister of privatization. It contains many critical comments. I can only say that when the president first considered my candidacy, he asked around whether I am sufficiently firm and won't let unbacked money be printed. Our assessment of the "Z130 Million for Everyone" program was made from that standpoint.

### Lack of Secure Document Printing Methods

92EP0535A Warsaw RZECZPOSPOLITA in Polish  
17-18 Jun 92 p 2

[Article by E.D.: "Unsecured State Documents"]

[Text] Of the scores of banks for which the Warsaw Treasury Printing Office printed scores of thousands of checkbooks, only two decided to print them on paper secured with a watermark. The remainder ordered checkbooks printed on regular offset paper, which was unsecured. Forging such checks should present no problem for a good forger.

For example, proof of automobile registration is no assurance. Thus, it is not surprising that such documents are among those counterfeited most often. For some time, reports of more and more frequent cases of the falsification of documents have reached the National Security Office [BBN] in the President's Chancellery. The reports emanate both from individuals and from prosecution officials. A conference organized by the BBN called "Systems for Securing Documents Against Forgery," was held on 16 June to inform those drawing up documents—representatives of banks and central offices—of the scope of the threat from forgers and the techniques used by them, and to outline preventive measures.

In the opinion of Jerzy Milewski, BBN chief, the scale of the threat will increase in proportion to the expansion of the market economy.

"We have become accustomed to the fact that banknotes are the only circulating document. Meanwhile, money is moving to the background more and more, and other documents are cropping up, the significance of which is growing and growing—various kinds of bonds, stocks, certificates, policies, and credit cards, which are the best examples of the most popular circulating document in countries with a highly developed market economy. True, there are not as many of the documents in Poland as in the West, but as they will be appearing more and more often, they must be executed in such a way that it will be difficult to forge them," Milewski stresses.

Representatives of the police, banks, and central offices participating in the conference were in agreement that there should be a Polish norm defining the standard, i.e., the appearance and the ways of securing state and bank documents so that persons handling them have no doubt as to their authenticity. The lack of a standard means

that the preparers of documents give no guarantees and that no one demands it of them, which is defined as a simple lack of imagination.

"All scandals beginning with Schnapsgate have resulted from the falsification of documents," asserted Prosecutor Zbigniew Zelazinski.

In the opinion of Deputy Inspector Emil Buduj, head of the Document Research Department at the Police KG [Main Command] Criminal Laboratory, it is especially easy to forge old documents and those of a local character. The appearance on the Polish counterfeit market of colored laser xerox copiers is also a grave danger. The copiers make it possible to expurgate undesired material from a document and fill in new information (for example, that is how the proofs of automobile customs clearances are falsified); seals and signatures copied with such copiers can be detected only by specialists, who describe documents falsified in this way to be exceptionally well done.

Specialists from the State Securities Production Plant [PWPW], on the other hand, maintain that the printing of documents which are most important from the viewpoint of the economy and the individual citizen on special paper adapted for this purpose does not entail any special difficulties. During the conference, the PWPW presented a catalogue that suggested scores of ways of securing paper and print that are almost impossible to forge. The PWPW has world-class experts and the most modern machinery and production capabilities, but it lacks orders. True, paper which is specially secured is from two to two and a half times more expensive than normal paper, but the losses to the State Treasury and individual firms as a result of counterfeiting documents are immeasurably greater.

#### **Problems Facing Pharmaceutical Industry Reviewed**

92EP0524B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 11 Jun 92 p V

[Article by Zaneta Semprich: "There Are No Ready Prescriptions"]

[Text] It has been going on for more than a year: The state budget owes money to the pharmacies, the pharmacies owe money to the medicine wholesale houses, the wholesale houses—particularly those belonging to the Cefarm enterprise—owe money to the domestic producers of medicines. Occasionally the pharmacists announced that they are on the brink of bankruptcy, the Cefarm pharmacies refused to fill reduced-rate prescriptions.... True, the situation has improved recently. The budget's debt to the pharmacies is shrinking—from 1,650 billion zlotys [Z] in January of this year to Z1,150 billion in March and Z1,155 billion in April. But it is hard, especially before the state budget is passed, to prejudge the degree to which it will in the future refund the expenditures for medicines given to a sick person in return for partial payment. The absolutely essential

increases in official prices of medicines also cause the budget's expenditures to rise.

Unquestionably, the domestic pharmaceuticals industry, on which our basic needs in this area depend, has found itself in a difficult situation. And not just due to the lack of credibility in connection with the lack of funds in the state budget. Meanwhile, if the domestic producer, guided by economic considerations, stops producing a drug, we are forced to import it. And this causes the cost of medical treatment to go up.

#### **Domestic and Foreign Debtors**

Under a planned economy the expansion of the industry was conditioned on the export to the USSR of medicines produced from imported raw materials. The export was favorable from the economic standpoint. It was very profitable to the enterprises (profits averaged 120 percent) and permitted unprofitable production of medicines intended for the country's needs to continue. The income derived from it, to the end of 1990, was 60-70 percent of the Polfa enterprises' profits and was the main source of financing their development.

Last year the terms for exporting to the USSR changed basically. Contracts for a sum of \$325 million were negotiated, paid partly by deliveries of natural gas to Poland. On both sides, the accounts are being settled in domestic currencies. In Poland, the monies owed the exporter of the pharmaceuticals should be paid by the purchaser of the gas. And in Russia, the monies owed for the delivery of the gas to Poland are paid by the Russian health service. Both foreign partners kept their agreements: Poland sent the medicines, Russia sent the gas. And in both places the domestic payers failed to pay.

Recently the minister of foreign economic cooperation decided to appoint a group which would divide the receipts from the monies due for the gas among the exporters entangled in barter agreements (some food producers also found themselves in an identical situation).

To date, CIECH (Import-Export Center for Chemicals and Chemical Equipment), out of a total amount of \$183.3 million, received payment totaling \$15 million. In the next few days the Commercial Bank expects to receive documents from Wnieszekonombank in the amount of \$19 billion. Payments of Polish zlotys for export documents will be made as receipts from Polish Oil and Gas Mining come in.

Despite all of the payments difficulties, it appears that the CIS [Commonwealth of Independent States] market must be looked upon as the basic recipient of medicines exported by Polish producers. Deliveries financed out of funds designated for the assistance offered to countries which arose after the disintegration of the USSR by EC and other participants of the January conference in Washington, might constitute a certain opportunity. The Polish side also made suitable offers.

Chances that the Polish pharmaceutical market will gain other markets are small. Competition among world

pharmaceutical concerns is too strong, legal and promotional restrictions are too far-reaching, and the lack of registration in Western countries would be a basic obstacle. A World Bank report shows that no Polish medicine will find itself on a Western market without meeting GMP (good manufacturing practice) requirements. Let us add: The reservations of the Western experts do not apply to the quality of our medicines, but primarily to the fact that production is located in old and crowded buildings.

### Controversial Customs Duties

The knotty circumstances in which the Polish pharmaceuticals producers find themselves is complicated still further by customs regulations. A Council of Ministers decree dated 23 July 1991 on duties on goods brought into the country from abroad, suspended, to the end of 1991, and then extended to the end of February 1992, duties on medicines. Then, in accordance with the timetable for the mutual reduction of duties, accepted in the treaty associating Poland with EC, a zero-rate duty was fixed on medicines and health-protection means imported from EC countries. But the duty on raw materials used in the production of pharmaceuticals was left at 10-15 percent.

Retaining duties for such a long time on pharmaceutical raw materials, and removing them when finished medicines come into play, weakens the competitiveness of Polish producers, even on the Polish market. In extreme situations that may even result in a halt to production of medicine in Poland and making it necessary to obtain it through import. The minister of health (fearing that domestic producers will stop producing certain drugs) pointed out the paradoxicality of the situation in speeches directed at the minister of foreign economic cooperation: An imported medicine has been, is, and will certainly always be, a more expensive medicine, he argued. And a situation may occur in which we will have no choice but to import this medicine. The correspondence being conducted for the last six months between the ministers has brought no great results. The approved structure of the customs tariff, similar, in any case, to that applied by EC countries, makes it impossible—it appears to institute preferential duty rates for raw materials used in the production of medicines, without at the same time eliminating the duty on raw materials used by the chemical industry and others. In accordance with its provisions, objective duty exemptions are possible, but not subjective. Duties on imported medicines whose counterparts are produced in our country, and those that are indispensable to us, cannot differ.

But it would be possible, in this situation, to put in motion economic instruments other than tariffs, e.g., tax relief. That is especially justified in the case of those medicines to which the official price applies. But at the moment no decisions have been made.

### Consequences of Patent Protection

The treaty signed more than two years ago on trade and economic relations between Poland and the United

States, and the obligation by Poland to introduce stricter regulations to protect intellectual property, will create a real revolution in the pharmaceutical industry. The changes in Polish laws, in connection with this, pertain to the scope of patent protection. Just as happens in some other countries, thus far Polish law has protected only the method by which pharmaceutical means and chemical compounds are produced. It was a very simple task to evade such a patent. In order to manufacture medicines in our country that have been discovered, patented, and produced in countries which lead in that respect, Polish industry and its scientific-research facilities prepared a "bypassing" method, which allowed them to produce the same medicines as foreign firms, but in a slightly different way. As a result, Polish pharmaceutical factories could produce new medicines relatively easily. They did not have to have their own scientific research facilities and did not have to spend any money on licenses.

After patent protection of finished medicines goes into effect, such procedures will not be possible. Some pharmaceutical plants will have to make a choice: Either discontinue production of the latest medicines, or try to obtain a license. If they choose the second alternative, a large growth in the price of domestic medicines will be inevitable. It may also happen that we will not obtain a license on certain drugs and will have to import them.

The pharmaceutical industry attempted to keep the present patent protection regulations for the next five to seven years. The Patent Office found these efforts to be unjustifiable and self-serving.

Unquestionably, there is almost no possibility that the deadlines for patent protection on pharmaceutical production will be extended after ratification of the treaty between Poland and the United States. The American side is extremely sensitive on the subject of patent protection and copyright laws, and makes them a condition in the negotiation of Polish demands on other matters. However, if violations of treaty provisions are found to have been committed, we can expect retaliatory measures.

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Despite all of the obstacles and barriers that must be surmounted, it would be hard to imagine a collapse, or even a long-term breakdown, in the Polish pharmaceutical industry. That would be tantamount to dependency on import, which we simply cannot afford, and thus, to civilizational degradation and a reduction of access to medical treatment. Fortunately, the industry is defending itself quite energetically. At the request of Polfa enterprises, the International Management School prepared a plan to restructure them. It provides for the creation of a "holding company" capable of functioning in a market economy and open to foreign capital. Decisions regarding its structure and ownership transformations would conform with this concept. It does not

exclude the conduct of negotiations with foreign partners, which would lead to coproduction in the production of new preparations.

But to do that, official price barriers must be removed and customs duties and tax policies must be changed so that the accumulation of investment funds for modernization of technologies and expansion of the assortment of medicines produced becomes a reality.

### Insurance Might Solve Health-Care Crisis

92EP0529A Warsaw GAZETA BANKOWA in Polish  
No 25, 21-27 Jun 92 p 16

[Article by Joanna Trepkowska: "Ill Health"]

[Text] For some time now contribution boxes have been a permanent fixture of a large portion of Polish hospitals. Like buying a brick for the health-care cause and numerous foundations, the boxes are supposed to plug up the hole that has developed in the financing of medical care.

The sick and their closest relatives are paying somewhere between 20,000 and several hundred thousand zlotys [Z] to speed up hospital admissions or to preventing hospitals from closing. A portion of the contributions, especially in typically agricultural regions, is accepted in kind: Hospital kitchens do not turn away potatoes or onions! Industrial plants, which also supply the indispensable means for maintaining cleanliness, bed linens, and other indispensable articles, are assessed for health care.

In hospitals threatened by liquidation, medical personnel are giving up voluntarily a portion of an already meager salary. Recently in Gluszyce in the Walbrzych Voivodship, all hospital employees decided to pay in Z100,000 each to keep the hospital from closing down. At that time it was calculated that if every gmina resident paid Z50,000 per month, the hospital could be saved. At the Gliwice Oncological Center, in March every employee paid Z250,000 to keep the hospital going.

Table 1. Medical Care Costs

Item	Cost
Open-heart surgery	Z50 million
24 hours dialysis	approx. Z1 million
Bone-marrow transplant	Z250 million
Cardiac computer tomography	Z1.4 million
Head tomography	Z2.36 million
Abdominal cavity USG [Ultrasonic Guidance]	Z215,000
Fitting a cast	Z160,000
Stomach operation	Z7 million
One day's hospital stay	Z250,000 to Z500,000

### The Minister's "Amputations"

Health care is financed out of the budget. The money is too little even to keep institutions currently in operation going. The Health Ministry's barebones budget for the year set the financial needs of health care at Z62 billion. It will receive Z47 billion. It is easy to calculate that in such a situation we will be lacking Z15 billion. Thus, we must expect that the social work of the health service will be cut back and that it will be necessary to subsidize health care from other sources.

For the present, the major shock therapy proposed by the Ministry of Health [MZ] is a gradual amputation. Last year 2,508 hospital beds were eliminated in addition to 19 dispensaries, 17 delivery rooms, five regional clinics, 43 factory clinics, 14 specialist's clinics, four ambulance services, and four convalescent homes.

In the MZ "Program of Adaptive Tasks for 1992-94" the elimination of another 15-20 percent of specialist's clinics and 10-15 percent of hospital beds in selected branches is anticipated. This refers above all to so-called highly specialized beds in general hospitals, namely: urological, ophthalmological, laryngological, gastrological, rehabilitational, dermatological-venereological, and contagious disease beds.

The MZ believes that reducing the number of beds in these specializations will not have a significant impact on services rendered. If the number of beds was reduced by 10 percent, this would be 2,850 beds on the national level, and if the MZ "amputated" 15 percent, it would then not have to maintain 4,250 beds. The MZ promises that, simultaneously, internal medicine departments would assume a greater burden for ensuring health care for the sick who had been using now-closed departments. Isolation facilities in larger hospitals are also being discussed, with the proper equipment base, beds for rapid patient diagnosis and the development of one-day stay departments.

The strategy of cutbacks affects all areas of health service activity. However, there may be serious reservations whether the therapy that has been adopted is really the best therapy.

It is as though someone wanted to reduce the problems associated with poor circulation by using the above-mentioned amputation for this purpose. Since the circulatory system is unable to supply the aging limbs, they must be amputated. I think that there is a basic error in thinking here. The changes require, above all, a system of supplying the health service with the means for its activity.

### Reform Is Absent

The need for health service reform has been noted for 12 years. Meanwhile, it seems that we cannot expect a change in the system before another two or three years. Until then there probably will not be anything to reform, for socialized medicine will self-liquidate. In the opinion of the MZ, the introduction of universal, obligatory health insurance will be possible in 1994 at the earliest.

The contribution would be shared equally by employees and plants. Health insurance would provide patients with services similar to those offered at present through insured health care. At present, however, the "taxation" of all employees, annuitants and pensioners for the Health-Care Fund is expected. The MZ likewise expects that local taxes for health care will supply the budgets of regional clinics. But those are halfway measures with no guarantee of implementation.

Meanwhile, experience shows that free health care is already a vanishing phenomenon. Today one must have money in order to obtain treatment. The constitutional provision for free health care has become a fiction. The wealthy go to private consultation offices and even to clinics. Meanwhile, those who cannot afford this have stopped receiving health care.

The privatization of health care is also taking place from the bottom up. Hospitals lease offices and the equipment found in these offices "by the hour" to doctors who conduct a private practice in them or to foundations which pay both the hospital and the professional employed by them. This economic activity, the goal of which is to make additional money for the needs of the hospital or department, is creating pathological situations.

**Table 2. Number of Hospital Beds per 10,000 Residents**

Country	Number
Poland	57
Sweden	127
Holland	117
Germany	110
France	106

#### **A Manager Is Needed**

Meanwhile it is no secret to anyone that the health service, which has grown accustomed over the years to "financing" many needs, is unable today to manage its money rationally. Administration "eats up" significant sums from the money designated for medical care. There

are no institutions which are in a position to exercise control over health-care outlays. The director of one of the Warsaw city hospitals claims that for every zloty designated for the activity of the institution he runs, the hospital receives approximately 45 groszy [monetary unit with 100 groszy equaling 1 zloty, no longer in use]. But he is convinced that if an insurance company dealt with the financing of health care, the hospital would receive approximately 95 groszy.

And so not only patients but also some doctors are convinced that introducing health insurance would be the saving grace of health care. And that is not only because in this way health care would obtain a source of financing independent of the budget.

There is another very important argument. Monies for health care would have a good manager. The insurance institution would, in the patient's name, supervise the amount of outlays, the costs of health care, and also the quality of medical services.

Of course it is difficult to imagine that health insurance would be in a position to assume immediately the burden of the upkeep of the entire health service. This process should be extended over several years. Society would find a high contribution unacceptable. At the beginning, however, considerable financing from the budget aided by financing from insurance could be obtained. However, the budget money designated directly for health care would go into the insurance fund, ensuring the proper utilization of this money. Instead of the directives of health-care administrators, a manager in the form of a new National Health Service would oversee the level of services.

That would restore to soundness the situation in socialized medicine. It also would aid the development of private offices and hospitals. A healthy competition would begin between institutions. Money would begin to really be the determining factor in health care. The self-liquidation of health care, which is now taking place in conjunction with the universal quest for health care, is unacceptable. However, it is difficult to reform this sphere of existence without the participation of the medical community. Meanwhile, this community is obviously not interested enough in a thorough reform.



**CD Candidate on Message to European Leaders**

92P20363A Bucharest ROMANIA LIBERA  
in Romanian 28 Jul 92 pp 1, 3

[Article by Roxana Iordache: "The Democratic Convention, a European Partner—Press Conference of Professor Emil Constantinescu on His Political Trip to the West"]

[Text] Yesterday morning, at the International Press Center, Professor Emil Constantinescu held a press conference on the Western European trip of the delegation of the Democratic Convention [CD]. The journalists present were given a press communique containing complete data on the CD candidate for president of Romania and a report on the top-level meetings held in the capitals of the Netherlands, Belgium, France, and Great Britain, which our newspaper reported at the time in items from our special correspondent.

Before responding to the many questions, Prof. Emil Constantinescu discussed the message presented in the West. The form of the message is the same in Romania as it is abroad: direct and simple language, with a maximum of information in a minimum of words. The content of the message expresses the desire of the CD to integrate Romania into European structures on the basis of unconditional Western support. Partisan interests must coincide with national interests, which was noted by Western leaders in the groups making up the CD. And this is why these leaders consider that the CD is capable of governing Romania for democratic change.

Continuing, he responded as follows to the main questions:

- National reconciliation will be one of the strong points of our election campaign.
- It is not possible to emerge from the crisis if there is no confidence in the elected leaders and in the institutions of the state.
- Bessarabia was an issue discussed intensely at the Western meetings, with historical, ethnic, political, and strategic arguments aimed at redrawing the truncated image in the foreign press.
- The CD, a serious partner in the West, has credibly brought up the matter of the reannexation of Bessarabia since its position on respecting the rights of national minorities, which are often mentioned in the West, is known.

—I was unfavorably impressed by the ironic reaction of the West to Mr. Campeanu's proposal regarding the candidacy of His Majesty King Michael, because it reinforced the perception of European democrats about Romania being "a country that does not understand the principles of democracy," and about "the confused behavior" of the Romanian people.

—The visit demonstrated the credit that the CD has received in the West as a force capable of eliminating Romania's isolation in the world.

—The orientation that is in the best interests of Romania is toward the Christian Democratic and conservative parties (of the British type).

—We received information that is not easily available to our officials, and we established long-ranging contacts with governmental bodies and businessmen that will bear fruit after our victory in the elections.

—No country can develop in isolation, not even the United States.

—Ultranationalism is seriously affecting Romania's image in the West.

—We had to make a clear distinction between nationalism—which we espouse—and ultranationalism—which is antinational because it isolates Romania, obstructing its development.

—Romania should be a factor of stability in Central and Eastern Europe.

—I am looking forward to a dialogue with Caius Dragomir.

In response to our question, "What is Romania's image in the world?" Prof. Emil Constantinescu said that there must be harmony between image and reality. Therefore, a good image can be imposed only after real change that will normalize Romanian life and ensure Romania's entry into Europe through the front door, with dignity and truth. We do not need a false image, constructed only for abroad, in order to hide an abnormal state of affairs in the country, like at the time of Ceausescu.

As for the absence of Romanian Television from the press conference, the CD candidate for the Presidency of Romania expressed the hope that the principal national mass-media institution will not hurt the election campaign any more by manipulations, omissions, and disinformation.

**Croatian-Slovene Conflict 'Metastasizing'**

92BA1260A Zagreb NOVI VJESNIK in Serbo-Croatian  
18 Jul 92 p 2

[Article by Stjepo Martinovic: "Foul for Remembering"]

[Text] Instead of fading away under the pressure of daily challenges and the long-term interests of both countries, the Croatian-Slovene "misunderstanding" is metastasizing into a conflict, the healing of which it will be necessary to invest more energy (and money) than its prevention or sanitizing in its present phase would consume. Here one should not be surprised that things have "split" between two neighboring republics—at the same time with a similar cultural-historical experience and a very diverse state-political substance, geopolitical position, development capacities, and projections—but rather this fact has no pedagogical result on both shores of the Kupa and Sutla!

Namely, where are we then if the identification of the roots of the Slovene-Croatian clashes—and which is in the Slovene inability to justify the disappearance of Yugoslavia in all areas—and especially the economic—is placed by a DELO commentator in the area of psychiatry? Where are we then if the Slovene minister for foreign affairs, Dmitrij Rupel, vaguely denounces Croatia to Douglas Hurd, and as an accomplice in the war in Bosnia-Herzegovina, shoulder to shoulder with Serbia? Where are we then if one doesn't see in Ljubljana that this is the worst moment for a knife in the back of Zagreb, although it was a case of an innocent light wound...(but) that will be remembered?

It would be stupid to read the crisis in Croatian-Slovene relations as a one-time neighbors' quarrel stemming from "a disagreement of nature," of incongruent mentalities. Certainly, we are different enough that we would be able to have friction in folklore, but whom would that satisfy?

The essence is in the fact that Croatia and Slovenia have never been complementary, but competing countries—colliding from the Yugoslav and former supply market to the vestibules of prewar and postwar Belgrade offices. And that things will always get tighter, on the revived traditional markets and on new ones, in a "Third World," in Europe. But, instead of respecting the Croatian interest wherever it encounters it, Slovenia—during the days when Croatia is literally breaking under the burden of war, a refugee and social crisis, spiritual and political catharsis... when it is suffering terribly from bureaucratic languor and a lack of strategic visions and operative skill in its government—will pour into the already overfilled jug of Croatian distress and misfortune!

And isn't it precisely that inclination of Ljubljana toward a (rough) foul—at a time when Zagreb is writhing with pain on the grass—something for psychiatry?

**Croatian Government on Relations With Slovenia**

92BA1260C Zagreb NOVI VJESNIK in Serbo-Croatian  
17 Jul 92 p 6

[Unattributed article: "The Government Discusses Relations With Slovenia: Lower the 'Temperature'"]

[Text] A decree passed on changes in and amendments to the Law on Conversion; invalids and families of those killed will receive shares at no cost; farmers equal in rights to employees.

Zagreb—The Croatian Government, at a meeting on Thursday [16 July] with Dr. Franje Gregurica presiding, passed the Decree on Changes in and Amendments to the Law on Conversion of Social Enterprises, which, especially in economic circles, is awaited with particular attention.

In accordance with the decree, the Agency for Restructuring and Development has stated that the deadline for autonomous conversion passed on 30 June, and 2,383 Croatian enterprises had taken advantage of that right up to then. The agency will no longer accept requests for autonomous conversion, except for those enterprises that are in areas threatened by the war or that have been destroyed in the war.

Under the decree conditions are created for the continuation of the process of conversion and the powers of the Agency are defined. Thus, farmers-cooperators are assigned equal rights with employed people and those previously employed; this was a request of the representatives at the last meeting of the Assembly.

The government decree confirmed that invalids from the domestic war and families of defenders killed while part of the Croatian Army and the MUP [Ministry of Internal Affairs] are entitled to receive without cost, under the conditions of the decree, shares of Croatian enterprises from the portfolio of the Croatian Fund for Development. The decree also confirmed the regulating of the introduction of Administrative Committees in enterprises in which a mandate has been delegated to workers councils. Finally, the Croatian Fund for Development was made equal, in rights and obligations, to the remaining shareholders.

At the meeting on Thursday, the Croatian Government devoted particular attention to relations with the Republic of Slovenia, especially because of the fact that some statements, like that of the Minister of Foreign Affairs Dimitrij Rupel, the incident with the fishing boats found poaching, and other cases have evidently created constant tension between the two neighboring and friendly countries. The government view is that the temperature among the public should be moderated, and that solutions acceptable to both sides should be found through regular contacts.

Government President Dr. Franjo Greguric familiarized the members of the government with a letter that he sent to Slovene Prime Minister Dr. Janez Drnovsek. The letter seeks an official interpretation of the statement

that Minister Rupel made at a press conference, after a conversation with the chief of the British Foreign Office, Douglas Hurd, in Ljubljana. This letter will already be reviewed on Friday at a meeting of the Slovene Government. And Minister of Foreign Affairs Dr. Zdenko Skrabalo will seek an explanation from his colleague Rupel.

Otherwise, the government listened to a report from its delegation on negotiations with the Slovene delegation regarding the signing of an agreement on sea fishing. The text of the Maritime Ministry was accepted, and Croatian President Dr. Franjo Greguric will sign it personally.

### Osijek Mayor: UNPROFOR Ignoring Protests

92BA1260G Zagreb NOV1 VJESNIK in Serbo-Croatian  
14 Jul 92 p 8

[Article by Mirko Sajler: "Osijek's Civilian Authorities and the UN Protective Force: Contacts of Two Months in a 'Blind Alley'"]

[Text] Dr. Zlatko Kramaric: "UNPROFOR [UN Protective Force] has turned a deaf ear to our demand for the establishment of normal life in the occupied area."

Osijek—Contacts between civilian authorities of Osijek and UNPROFOR Headquarters in sector "E" have been lost in a "blind alley." For a whole nine weeks there have been no direct talks, although the mayor of Osijek, Dr. Zlatko Kramaric, has insisted on them. Only a few sharp written protests have been sent by Dr. Kramaric to Francis Negga, UNPROFOR commander for civilian matters in that sector, because things are not being resolved according to Vance's peace plan. In her last answer to these protests, Ms. Negga replied that she also has comments on the protection of human rights in Osijek from which they recently drove out—a Serb?!

At a press conference in the Presidency of the Assembly of the district, the mayor of Osijek, Dr. Zlatko Kramaric, emphasized on Monday that UNPROFOR members have simply turned a deaf ear to the demands by civilian authorities for the establishment of normal life in occupied parts of the Osijek district. Specifically, it has been requested that the blockade of the Klisa airport, which is located in a sector in which peacekeeping forces have assumed control, the Ernestinovo electric power plant, through which the greater part of Slavonia and Baranja is supplied with electricity, and road communications through Dalj, Baranja, Vukovar, and Vinkovci be lifted. By the same token, the question of the establishment of new telecommunications connections with the FRY [Federal Republic of Yugoslavia] has also been raised.

"In order for this last question to be resolved, it has been made possible for us to send one of our experts in telecommunications to the occupied area. He spoke, with the mediation of UNPROFOR, with a man who was presented as some sort of representative of the telecommunications of Serbia. However, we learned that he was a former worker in the Vukovar post office who now occupies some sort of directorship or ministerial

position in the so-called SAO [Federal Autonomous District] Krajina of Slavonia, Baranja, and western Srem. We cannot accept such persons as equal partners in talks, because we would thereby recognize their legitimacy. Because of this I protested, since I believe that is common deceit," said Dr. Kramaric.

The Osijek mayor emphasized that "in the area of the occupied part of Croatia—in Baranja, Beli Manastir, and other places, they are building some sort of customs stations. This is not permitted and directly clashes with the peace plan. The statements of newly appointed politicians in the so-called SAO Krajina, the consolidation of their authority, and other things that are happening there are creating apathy and dissatisfaction in those who were driven out of those areas; this is difficult to explain to people and defend politically."

"My protests met with an echo in the UNPROFOR Headquarters for Civilian Questions. I received a letter from Mr. Cedric Thornberry, commander of this sector of Protective Forces, who announced talks with the Croatian side in connection with carrying out the second phase of the UNPROFOR operation and that which is really happening in sector 'E.' We will say what we are dissatisfied about. A 'pink zone' also exists in this area, but the UNPROFOR doesn't speak about it at all. In our area, after 23 November 1991, the enemy has occupied Ernestinovo, Laslovo, Paulin Dvor, Antunovac, and other places, but no one is pulling out of them. We have come to a stalemate. Moreover, representatives of the Serbian puppet regime in the so-called SAO Krajina have obtained the opportunity for the initiative. Now we are being criticized that a Serb was allegedly driven out of Osijek. I will look into the matter and report on it. I simply do not know about such an incident. I only know that a large number of non-Serbian residents have been driven out of the occupied areas and that this is still happening every day. Some Serbs would like to return to Osijek, but they will not be able to until all those driven out in the other direction can return to their homes," says Dr. Kramaric.

To the question by reporters as to why Ms. Francis Negga has replaced James Lubin as the UNPROFOR commander for civilian questions in sector "E," Dr. Kramaric said that "everything has been done in a mysterious way and there is really not a true explanation. However, from then until now, things have not moved from square one. And it was precisely Mr. Lubin who negotiated with both sides and tried to put Vance's plan into effect. Since his departure in the area of the so-called Krajina, nothing has changed; the status quo is being maintained, so it will be particularly necessary for things to move at a higher level, and Dr. Milan Ramljak, president of the State Commission for Contacts with UNPROFOR, has been informed about this. News to the effect that everything is falling about in the SAO Krajina and that the area is about to collapse obviously does not correspond to the truth. Nevertheless, the occupier has some kinds of mechanisms for surviving," Dr. Kramaric said, among other things.

**Campaigning in Croatian Army 'Prohibited'**

92BA1260B Zagreb NOVI VJESNIK in Serbo-Croatian  
18 Jul 92 p 4

[Unattributed article: "Campaigning in the Croatian Army—Prohibited"]

[Text] Zagreb—On Friday [17 July] the minister of defense of the Republic of Croatia issued a notice to the leaders of all parties and election directors instructing that all members of the Croatian Army [HV] abstain from the preelection campaign.

"In accordance with the Command of the President of the Republic of Croatia of 14 October 1991 on Prohibiting Activities of Political Parties in the Armed Forces

of the Republic of Croatia, we inform you that holding meetings, demonstrations, and performances with political programs in installations of the Croatian Army, rehabilitation centers, and other places where its members are found in an organized manner is prohibited.

"We believe that you are familiar with the content of the command of the president, and we ask you to abstain from political activities regarding preelection programs in all installations of the Croatian Army.

"Personal or private visits with no political statements are assumed and permitted as has been the case up to now," said the announcement, which Minister Susak signed.

**RSK Prime Minister Addresses People of Krajina**  
*92BA1260F Belgrade BORBA in Serbo-Croatian*  
*18-19 Jul 92 p 4*

[Article by S. Radulovic: "Events in the Republic of Serbian Krajina: Sharply Toward Those Who Think Differently"]

[Text] *Zdravko Zecevic, president of the government of RSK [Republic of Serbian Krajina]: "Individuals who work counter to the definition and rules of action that the RSK government prescribes will not exist for us."*

Knin—We expect that all Krajina people are assisting the affirmation and consolidation of our small state. For those who do not think that way, neither the people nor their government will have any understanding. Such individuals, simply put, will not exist for us. This is one of the parts of the broad "address to the people" of the president of the government of the RSK, Zdravko Zecevic, who is devoting particular attention to the political connotations of such a message.

Zecevic's offer of recognition to the deserving fighters and citizens and all who contributed to the realization of the interests of the Serbian people of Krajina and his appeal to stand fast in the defense of the policy and the nation-building independence of the RSK and to participate fully in development and rebuilding are not disputed. Such an appeal represents, it can be said, a composite part of the public promotion of the views of the authorities. However, the message cited contains in itself the appearance of an attempt to point out a right to a monopoly and interpretations and regulations of the methods for the "affirmation and consolidation of the state" (written in a capital letter), as well as the sanction: "Such individuals will not exist for us, to the extent that anyone works counter to the definition and rules of action prescribed by the RSK authorities."

That this is not a coincidence or an imprecisely formulated message is shown by Zecevic's call to the people in another part of his address: "This government stemmed from the people and can be responsible only to the people. We are of the opinion, and we have confirmed

this in our decisions, that all inter-party life should stop until the existential questions of the RSK and its people are resolved. In this context the government will seek from the people, as being solely responsible for their fate, as soon as conditions are achieved, opinions and support, but will also receive possible criticism for its acts."

This quote also confirms the wish for the RSK government exclusively to determine the resolution of "existential questions of the RSK and the people" and to present the final solution for a test by the people "from whom the government has stemmed." This is in complete contradiction to elements of the legal democratic political system the creation of which the government expressly supports, and the alleged legitimacy of the attempt to draw from the revolutionary-bolshevist category of originating from the people, although elections are the only yardstick.

On the other hand, if the decision on a moratorium on the work of parties is valid, then not even Zecevic, in a public address to the people, can appeal to the SDS [Serbian Democratic Party], as the party in power, although this is debatable, with regard to the important role of socialists in the government and in key places, who did not participate in the elections as candidates of the Socialist Party of Krajina, but Racan's SDP [Party of Democratic Changes], suffering a heavy defeat.

"The motto of the SDS has always been that there cannot be an intermediary between the people and their government. We will firmly and consistently adhere to this principle, believing that we are serving our people in this way," declares Zecevic.

Nevertheless, the SDS program contains some other determinations, such as that present or future parties in Krajina can have their political options that they consider are the best as long as the orientation of the Krajina people to create their society outside any jurisdiction of the Croatian state is not brought into question.

It is quite normal in democratic systems for "individuals" to exist who think differently. It is not normal when such "individuals" are informed that—they will not exist.



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